DRAFT BUDGET RELATED POLICIES

Annexure E

CONTENTS:

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NEWCASTLE MUNICIPALITY

TARIFF POLICY

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1. Preamble

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – "that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act" (MSA).

In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

2. Definitions

In this policy:

"**municipal area**" means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

"**municipal council**" means a municipal council referred to in section 157 of the Constitution.

"indigent households" means those households in the municipal area whose monthly household income is no more than an amount as determined by Council annually and are included in the indigent register.

"the Act" means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).

3. Introduction

One of the primary functions of a local authority is to provide services to the people within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided.

They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

4. Tariff principles

4.1 Users of municipal services must be treated equitably. The various categories of customers must pay the same charges based on the same cost structure[1].

4.2 The amount payable must be in proportion to usage[2].

4.3 Indigent households must have access to basic services through lifeline tariffs or direct subsidisation in accordance with the Integrated Development Plan[3].

4.4 Tariffs must reflect the total cost of the service[4].

4.5 Tariffs must be set at a level that facilitates the sustainability of the service.[5] Sustainability can only be achieved when:

(i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts must be made.
(ii) Access to the capital market is maintained. This can be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.

4.6 Provision must be made in appropriate circumstances for a surcharge on a tariff. This will be necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required[6].

4.7 Efficient and effective use of resources must be encouraged. Penalties to promote the economic use of services as well as the conservation of water may be introduced.

4.8 The extent of subsidisation of tariffs should be fully disclosed.

4.9 On closure of the municipal account, a charge for the final reading shall be levied thereon.

4.10 The tariff structure of Newcastle may make provision for the differentiation between different categories of customers, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination[7]. Where there is a substantial difference between the standard of services provided within a specified category, the Council can determine differentiated tariffs within the specified category.

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1 Section 74(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000);
2 Section 74(2) (a) of Act 32 of 2000.
3 Section 74(2) (c) (i) and (ii).
4 Section 74(2) (d)
5 Section 74(2) (e)
6 Section 74(2) (f)
7 Section 74(3)

5. Expenditure classification and cost elements

The Chief Financial Officer shall, subject to the guidelines of the Executive Committee of the Council, make provision for the following classification of services:

5.1 Trading services

These are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services. The consumption of the services is measurable and can be accurately apportioned to an individual consumer.

5.2 Economic services

These are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers. No surplus or deficit should be incurred.

5.3 Community services

These are services that the Council has classified as such and the tariffs have been compiled with the intention that the cost of the services cannot be recovered from public service charges. The service may be of a regulatory nature and the Council is usually unable to accurately determine the individual consumption.

5.4 Subsidised services

These are municipal services which are provided at an applicable rate which is less than the cost of actually providing the service, including services provided to customers at no cost. The cost of providing the service is usually such that it would not necessarily be affordable to the community.

5.5 Cost elements

The following cost elements will be used to calculate the tariffs of the different services:

(i) *Fixed costs* are costs which do not vary with consumption or volume produced and which consist of the capital costs (interest and redemption) on external loans and or depreciation; whichever are applicable on the service and any other costs of a permanent nature as determined by the Council from time to time.

(ii) *Variable cost:* These are costs that vary with consumption or volume produced and include all variable costs that have reference to the service.

(iii) *Total cost* is equal to the fixed cost plus variable cost.

(iv) *Flat rate:* This cost is calculated by dividing the total costs by volume used.

6. Tariffs

6.1 The tariffs are reviewed annually during the preparation of the budget and the proposed tariffs are presented to the community during the Council's budget consultative process prior to the approval of the final budget by the Council.

6.2 In setting service charges the Council shall:

(i) accurately reflect costs to achieve economic efficiency;
(ii) ensure equity and fairness between different types of consumers;
(iii) utilise appropriate metering and supporting technology;
(iv) be transparent; and
(v) extend assistance to the poor by giving preference to single tariffs where possible.

6.3 In determining the type of tariff applicable to the type of service the Council may make use of the following four options or a combination of the same:

(i) *Single tariff:* This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through a unit charge at the level of breakeven consumption.
(ii) *Cost related two to four part tariff:* This tariff shall consist of two to four parts. They are raised to cover the fixed and variable costs separately. The fixed costs are recovered by grouping certain components together and may be recovered by a fixed charge while the variable costs may be recovered by a unit charge per unit consumed.
(iii) *Inclining block tariff:* This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.
(iv) *Declining block tariff:* This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

7. Unit of measurement

The following units of measurement will, where possible, be used to determine tariffs:

7.1 Water

(i) Cost per kilolitres consumed
(ii) Basic/availability charge - based on the fixed cost associated with the service
(iii) When consumption is not measured a flat rate will be applicable.
(iv) When consumption cannot be read for a particular meter reading period, an estimate amounting to a 12 month average shall be levied on the account.

7.2 Electricity

(i) Basic/availability charge - based on the fixed cost associated with the service
(ii) Cost per kWh consumed
(iii) Cost per Kilovolt-ampere (kVA)

(iv) Maximum demand – Network demand charge and network access charge
(v) When consumption is not measured a flat rate will be applicable.
(vi) When consumption cannot be read for a particular meter reading period, an estimate amounting to a 12 month average shall be levied on the account.

7.3 Refuse removal

(i) Bag removal
(ii) Container Service
(iii) Rental of containers
(iv) Individual services as required

7.4 Sewerage

(i) Per kilolitre of water consumption
(ii) Per kilolitre of water consumption plus costs for strength of disposal.
(iii) Basic/availability charge - based on the fixed cost associated with the service.

8. By-laws

The principle contained in this policy will be reflected in the various service by-laws as adopted and adjusted by Council from time to time.

NEWCASTLE MUNICIPALITY

RATES POLICY

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infrastructure

PART ONE: PREAMBLE

Whereas:

1.1 Section 229 of the Constitution of the Republic of South Africa (Act 108 of 1996) provides that a municipality may impose rates on property;

1.2 The Local Government: Municipal Property Rates Act (Act 6 of 2004) regulates the power of a municipality to impose rates on property;

1.3 In terms of the Municipal Property Rates Act a municipality:

1.3.1 may levy a rate on property in its area; and

1.3.2 must exercise its power to levy a rate on property, subject to:

(a) section 229 and any other applicable provisions of the Constitution;

(b) the provisions of the Municipal Property Rates Act; and

(c) its rates policy;

1.4 The Newcastle Municipal Council has resolved to levy rates on the market value of all rateable properties within its area of jurisdiction;

1.5 The municipality must, with regard to section 3 of the Municipal Property Rates Act, adopt a rates policy consistent with the provisions of the said Act on the levying of rates in the municipality;

1.6 In terms of section 4 of the Local Government: Municipal Systems Act (Act 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter-alia, rates on property; and

1.7 In terms of section 62 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), the Municipal Manager must ensure that the municipality has and implements a rates policy.

PART TWO: DEFINITIONS

All words and phrases in this policy shall have the same meaning and interpretation as assigned in terms of the Local Government: Municipal Property Rates Act, Act 6 of 2004, and unless the context indicates otherwise:-

Act	Means the Local Government: Municipal Property Rates Act (Act 6 of 2004), as amended.
Agent	In relation to the owner of a property, means a person appointed by the owner of the property: (a) to receive rental or other payments in respect of the property on behalf of the owner; or (b) to make payments in respect of the property on behalf of the owner.
Agricultural property	Agricultural property excludes formally protected areas, rural communal land and any other specified category of property. Agricultural property may fall within a proclaimed township.
Agricultural purpose	In relation to the use of a property, excludes the use of a property for the purpose of ecotourism or for the trading in or hunting of game.
Annually	Means once every financial year.
Appeal board	Means a valuation appeal board established in terms of section 56 of the Act.
Assistant municipal valuer	Means a person designated as an assistant

	municipal valuer in terms of section 35(1) of the Act.
Bed and Breakfast	Means an establishment, which is primarily a dwelling and makes excess rooms available to transient guests. The bathrooms may or may not be en suite. This establishment may be managed by the owner and/or designated person. Breakfast may be available for all guests. Public areas are usually shared by guests and owners/hosts alike.
Category	(a) In relation to property, means a category of properties determined in terms of section 8 of the Act; and (b) In relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Act.
Child Headed Household	Means a household recognized as such in terms of section 137 of the Children's Amendment Act, 41 of 2007.
Commercial, Business and Industrial Properties	Means properties covered in section 8(2) of the Act namely, industrial properties, business and commercial properties, farm properties used for other business and commercial purposes, small holdings used for business, industrial and commercial purposes. This category of property includes property used for eco-tourism/hospitality purposes, grain co-ops and grain silos, cell phone towers, mines, petrol filling stations, racetracks and

	shopping centres.
Commercial accommodation	Means lodging or board and lodging, in any house, flat, apartment, room, hotel, motel. Inn, Guesthouse, bed & breakfast, boarding house, residential holiday resort establishment, student accommodation or similar establishment which is regularly or systematically supplied but excludes a domicile
Constitution	A body of fundamental principles or established precedents according to which our State is governed and as embodied and promulgated per Act 108 of 1996.
Data-collector	Means a person designated as a data-collector in terms of section 36 of the Act.
Date of valuation	Means the date determined by a municipality in terms of section 31(1) of the Act.
Disabled	Means a person who qualifies to receive relief in terms of the Social Services Act, 1992 (Act No. 59 of 1992) or has been certified as disabled by a medical practitioner and qualifies in terms of the income threshold as defined in the Council's Customer Care Policy.
Disaster	Means a disaster within the meaning of the Disaster Management Act (Act 57 of 2002) or any other serious adverse social or economic condition as adopted by a Council resolution from time to time.
Disaster area	Means owners of property situated within an area

	affected by: (a) a disaster within the meaning of the Disaster Management Act 57 of 2002; (b) any other serious adverse social or economic conditions as determined by Council from time to time;
District Management Area	Means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone.
District Municipality	Means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155 (1) of the Constitution as a category C municipality.
Dominant use	Means the use of a property is predominant in a specific use in terms of its measured building area. The use of a property is determined by the Municipal Valuer.
Effective date	(a) In relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1) of the Act; or (b) In relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b) of he Act.
Equitable treatment of ratepayers	Means the fair, just and impartial treatment of all

	ratepayers.
Exclusion	In relation to a municipality's rating power, means a restriction of that power as provided for in section 17 of the Act.
Exemption	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Act.
Financial year	Means the period starting from 1 July in a year to 30 June the next year.
Formally Protected Areas	Means those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004 which are not developed or used for commercial, business, residential or agricultural purposes.
Income Tax Act	Means the Income Tax Act, 1962 (Act No. 58 of 1962).
Indigent owner	Means an owner of property who has permanent occupation of the property and qualifies for indigent relief in terms of the Council's Indigent policy.
Land reform beneficiary	In relation to a property, means a person who: (a) acquired the property through - (i) the Provision of Land and Assistance Act,

1993 (Act No. 126 of 1993); or

(ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1944);

(b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or

(c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after the Act has taken effect.

Land tenure right

Means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004.

Legal entity

In law an entity is something which is capable of bearing legal rights and obligations, has a distinct separate existence.

Local community

In relation to a municipality:

(a) means that body of persons comprising:

(i) the residents of the municipality;

(ii) the ratepayers of the municipality;

(iii) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and

(iv) visitors and other people residing outside the municipality who, because of their

presence in the municipality, make use of services or facilities provided by the municipality.

(b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons.

Local municipality	Means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality.
Market value	In relation to a property, means the value of the property determined in accordance with section 46 of the Act.
MEC for Local Government	Means the member of the Executive Council of a province who is responsible for local government in that province.
Mining property	Means property on which an operation or activity of extracting minerals is conducted and includes any operation or activity incidental thereto.
Minister	Means the cabinet member responsible for local government.
Multiple purpose	In relation to a property means a property used for more than one purpose.
Municipal Council or Council	Means the Municipal Council of Newcastle.

Municipal Finance Management Act	Means the Local Government: Municipal Finance Management Act 2003 (Act N°. 56 of 2003).
Municipal Manager	Means a person appointed in terms of section 82 of the Municipal Structures Act.
Municipal owned property	Means property owned by the municipality.
Municipal leases	Means property owned by the municipality and leased to another party. The municipality reserves the right to recover municipal rates against all properties registered in the name of the municipality over which a portion or all of its property is leased either through an existing lease agreement where rates are exclusive or through the provisions of the Act. Rates payable will be based on the rates category and market value as contained in the Valuation Roll.
Municipal Structures Act	Means the Local Government: Municipal Structures Act, 1988 (Act No. 117 of 1998).
Municipal Systems Act	Means the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).
Municipal valuation	Means a valuation of a rateable property within the municipal area by the Municipal Valuer in terms of the Act.
Municipal Valuer	Means a person designated as a Municipal Valuer in terms of section 33(1) of the Act.
Occupier	In relation to a property, means a person who

occupies the property, whether or not that person has a right to occupy the property.

Organ of state

Means an organ of state as defined in section 239 of the Constitution.

Owner

(a) In relation to a property referred to in paragraph (a) of the definition of property, means a person in whose name ownership of the property is registered;

(b) In relation to a right referred to in paragraph (b) of the definition of property, means a person in whose name the right is registered;

(c) In relation to a land tenure right referred to in paragraph (c) of the definition of property , means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

d) In relation to public service infrastructure referred to in paragraph (d) of the definition of property, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled";

provided that a person mentioned below may for the purposes of the Act be regarded by a municipality as the owner of a property in the following cases:

(i) a trustee, in the case of a property in a

trust excluding state trust land;

(ii) an executor or administrator, in the case of a property in a deceased estate;

(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;

(v) a curator, in the case of a property in the estate of a person under curatorship;

(vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(vii) a lessee, in the case of property that is registered in the name of the municipality and is leased by it; or

(viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

Pensioner

Means a person that :

(a) must be at least 60 years of age;

(b) who is the sole owner of the property, or owner jointly with his/her spouse;

Permitted use	In relation to a property, means the limited purposes for which the property may be used in terms of - (a) Any restrictions imposed by: (i) a condition of title; (ii) a provision of a town planning or land use scheme; or (iii) any legislation applicable to any specific property or properties; or (b) Any alleviation of any such restrictions.
Person	Includes an organ of state.
Places of public worship	Means property which is registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community, which is occupied by an office bearer of that community who officiates at services of that place of worship.
Prescribe	Means prescribe by regulation in terms of section 83 of the Act.
Property	Means: (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person/legal entity; (b) a right registered against immovable property in the name of a person/legal entity, excluding

	a mortgage bond registered against the property; (c) a land tenure right registered in the name of a person/legal entity or granted to a person/legal entity in terms of legislation; or (d) Public service infrastructure.
Property register	Means a register of properties referred to in section 23 of the Act.
Protected area	Means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act.
Protected Areas Act	Means the National Environmental Management: Protected Areas Act, 2003.
Public Benefit Organization	Means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act.
Publicly controlled	Means owned by or otherwise under the control of an organ of state, including: (a) a public entity listed in the Public Finance Management Act, 1999 (Act No.1 of 1999); (b) a municipality; or (c) a municipal entity as defined in the Municipal Systems Act.

Public service infrastructure

Means publicly controlled infrastructure of the following kinds:

(a) national, provincial or other public roads on which goods , services or labour move across a municipal boundary;

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;

(c) power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) railway lines forming part of a national railway system;

(f) communication towers, masts, exchanges or lines forming part of a communication system serving the public;

(g) runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes;

(h) any other publicly controlled infrastructure as may be prescribed; or

(i) rights of way, easements or servitudes in

connection with infrastructure mentioned in paragraphs (a) to (h).

Rate

Means a municipal rate on property envisaged in section 229(1)(a) of the Constitution.

Rateable property

Means a property on which a municipality may in terms of section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act.

Rebate

In relation to a rate payable on a property, means a discount granted in terms of section 15 of the Act on the amount of the rate payable on the property.

Reduction

In relation to a rate payable on a property, means the lowering in terms of section 15 of the Act of the amount for which the property was valued and the rating of the property at that lower amount.

Register

(a) means to record in a register in terms of –

(i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or

(ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and

(b) includes any other formal act in terms of any other legislation to record :

(i) a right to use land for or in connection with mining purposes; or

(ii) a land tenure right.

Residential property	Means a property included in a valuation roll in terms of section 48 (2) (b) of the Act as residential. Residential property may include property for which the dominant use is residential based upon the measured building area and uses include residential, sectional title, non-sectional title apartments, hostels, barracks, informal dwellings, old age homes and retirement villages.
Rural communal property	Means agricultural or township land where there is a single cadastral holding developed predominately for residential purposes and/or traditional rural homesteads (imizi) and which may also have a variety of non-residential top structures which collectively constitute the minority in terms of measured building area, and which may be rated separately in terms of the Act. This category of property may include State Trust Land, property belonging to the Ingonyama Trust Board, property belonging to land reform beneficiaries where the dominant use is residential rather than commercial agricultural use.
Sectional Titles Act	Means the Sectional Titles Act, 1986 (Act No. 95 of 1986).
Sectional title scheme	Means a scheme defined in section 1 of the Sectional Titles Act.
Sectional title unit	Means a unit defined in section 1 of the Sectional Titles Act.

Specialised non-market properties	Means property including national monuments, schools (both state and private), crèches, cemeteries/crematorium, prisons, law courts, libraries, military bases, police stations, sports clubs including stadiums, public open spaces including parks, vacant land to be used for these purposes. Other non-market properties may be assigned to this category by the Municipal Valuer in consultation with the municipality.
State trust land	Means land owned by the State: (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure; (b) over which land tenure rights were registered or granted; or (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).
Trading Services	Shall include property used by the Municipality's Electricity Department, Municipal Parking Areas/Buildings, Municipal Entities, property used by the Municipality's water, refuse and sanitation departments:
Garages/carports/storeroom	means sectional title units that have been separately registered at the deeds office and do not qualify for rebates or reductions

PART THREE: THE PURPOSE OF THE POLICY

3. The purpose of this policy is to:

3.1 Comply with the provisions of the Act, specifically with section 3 thereof;

3.2 Give effect to the principles outlined hereunder;

3.3 Ensure the equitable treatment of persons liable for rates;

3.4 Determine the basis for valuation and to prescribe procedures for the implementation of the Act;

3.5 Determine criteria for different property use categories to apply differential rates;

3.6 Determine or provide criteria for the determination of categories of owners of properties;

3.7 Determine criteria to be applied for granting relief in the form of exemptions, rebates and reductions to categories of properties and categories of owners;

3.8 Determine measures to promote local economic and social development; and

3.9 Identify which categories of properties the municipality has elected not to rate as provided for in section 7 of the Act.

PART FOUR: FUNDAMENTAL PRINCIPLES OF THIS POLICY

The principles of the Act are to regulate the power of a municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair valuation method of properties; to make provision for an objection and appeal process.

The principles of the policy are to ensure that:

4.1 The power of the municipality to impose rates on property within its area will not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities or the national mobility of goods, services, capital or labour as prescribed in terms of section 229 of the Constitution;

4.2 All ratepayers will be treated equitably;

4.3 Property rates will be assessed on the market value of all rateable properties within the jurisdiction of the municipality;

4.4 Property rates will not be used to subsidize trading and economic services;

4.5 The property rates policy will take into account relief measures to address the social and economic needs of the community;

4.6 This policy will be developed in consultation with the community and in compliance with a process of community participation in terms of Chapter 4 of the Municipal Systems Act.

PART FIVE: IMPLEMENTATION OF THIS POLICY AND EFFECTIVE DATE

5.1 This policy takes effect from 1 July 2009, being the effective date of the first valuation roll prepared by the municipality in terms of the Act, and must accompany the municipality's budget for the financial year.

5.2 The rates policy must be reviewed annually, and if necessary amended by the Council. Such amendments must be effected in conjunction with the municipality's annual budget in terms of sections 22 and 23 of the Municipal Finance Management Act.

5.3 The municipality must adopt by-laws to give effect to the implementation of its rates policy and such by-laws must be read in conjunction with this policy.

5.4 The adopted by-laws must also be reviewed annually, and if necessary be amended by the Council, in conjunction and in accordance with the rates policy.

PART SIX: EQUITABLE TREATMENT OF RATEPAYERS

6.1 The municipality is committed to treating all ratepayers on an equitable basis. The circumstances of each category of owner or category of property will be considered in a fair manner and within the limitations set out in the Act. The municipality must adopt measures to ensure equitable and fair treatment of ratepayers.

6.2 Any differentiation in the levying of rates must not constitute unfair discrimination.

PART SEVEN: DISCRETIONARY DECISIONS ADOPTED BY THE MUNICIPALITY WITH RESPECT TO LEVYING PROPERTY RATES

It is recorded that the Council has adopted the following resolutions on 12 December 2013 (reference CM 45/12 December 2013):

7.1 To levy rates on all rateable property in its area of jurisdiction;

7.2 To determine the date of implementation as being 1 July 2014;

7.3 To determine the date of general valuation as being 1 August 2013;

7.4 To levy different cents in the rand for different use categories of rateable property;

7.5 That the categories of properties for the purpose of differential rating are those specified in this policy document;

7.6 That the criteria for the assessment of market value in terms of section 8(1)of the Act shall be dominant actual use and where the land is vacant on permitted use;

7.7 For rating purposes the category of a property will be determined according to dominant actual use and where the land is vacant on permitted use.

PART EIGHT: CATEGORIES OF PROPERTIES FOR DIFFERENTIAL RATING PURPOSES

8.1 Section 8 of the Act provides that a municipality may, subject to section 19 of the Act and in terms of criteria set out in its rates policy, levy different rates for different specified categories of rateable property.

8.2 For the purposes of section 8 of the Act, the following categories of rateable property have been determined, being:

8.2.1 Residential property;

8.2.2 Business and commercial ;

8.2.3 Industrial property;

8.2.4 Agricultural property;

8.2.5 Informal settlements

8.2.6 Public service infrastructure properties;

8.2.7 Mining property;

8.2.8 Rural communal land;

8.2.9 Formally protected areas;

8.2.10 Places of public worship;

8.2.11 Public Benefit Organizations;

8.2.12 Specialized ~~private~~ non market property;

8.2.13 Vacant Land

8.2.14 Commercial Accommodation

8.3.1 It is recorded that in terms of section19 of the Act, a municipality may not levy:

8.3.1 different rates on residential properties, except as provided for in sections 11(1)(b), 21 and 89 of the Act;

8.3.2 a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties determined in terms of section 11(1)(a) of the Act;

8.3.3 rates which unreasonably discriminate between categories of non-residential properties; or

8.3.4 Additional rates except in special rating areas as provided for in section 22 of the Act.

8.4 Differential rating among the above determined categories of properties will be done by way of setting different cent amounts in the rand for each property category within the municipal budgetary processes.

8.5 The criteria for weighting the categories determined above, for the purpose of determining rate randages for each category, must take account of the following :

8.5.1 The perceived affordability factor for the different categories of property;

8.5.2 The strategic importance of a category of property with reference to the aims and objectives of the Council and the Government of the Republic

8.5.3 as a whole (such as social, economic and developmental issues).

PART NINE: GATEGORIES OF OWNERS OF PROPERTY

9.1 The Municipality has determined the following categories of owners of property-

a) residential
b) pensioners
c) disability grantees
d) child headed households
e) public benefit organizations
f) bed and breakfast and guesthouse
g) land reform beneficiaries
h) municipal
i) owners of property affected by natural and other disasters
j) vacant land
k) state owned properties

PART TEN : RELIEF MEASURES FOR RATEPAYERS

101.1 The municipality has considered the need and desire to grant relief to specific categories of owners of properties and owners of specific categories of properties with a view to providing appropriate measures to alleviate the rates burden on them.

10.2 The municipality will not grant relief in respect of the payment of rates other than by way of an exemption, rebate or reduction provided for in this policy and granted in terms of section 15 of the Act to:

10.2.1 A specified category of properties; or

10.2.2 A specified category of owners of property as provided for hereunder.

10.3 The municipality will not grant relief to the owners of property on an ad hoc or individual basis.

PART ELEVEN : RELIEF MEASURES FOR USE CATEGORIES AND OWNERSHIP CATEGORIES.

The municipality has identified the following use categories of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions to the owners of these categories of property in terms of section 15 of the Act:

The municipality has identified the following categories of owners of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions in terms of section 15 of the Act:

11.1 Indigent Owners	
11.1.1 Criteria	In order to qualify for the indigent subsidy as an indigent owner, the owner must:

	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;	
	(b)	Live permanently on the property;	
	(c)	Not own any other property within Newcastle municipality;	
	(d)	Have an income threshold as defined in the Indigent policy;	
	(e)	Make application annually on the prescribed form and within the prescribed period, if so required.	
11.1.2 Rebate Granted	Percentage Rebate		A subsidy will be granted dependent on budgetary affordability factors.

11.2 Pensioner Owners			
11.2.1 – Criteria	In order to qualify as a pensioner owner, the owner must:		
	(a)	Be at least 60 years of age;	
	(b)	Be the sole owner of the property or own the property jointly with his/her spouse;	
	(c)	Not be granted more than one pensioner rebate at a time.	
	(d)	Live permanently on the property.	
	(e)	Make application annually on the prescribed form and within the prescribed period.	
11.2.2 – Rebate Granted	Percentage Rebate		A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.3 Disabled Owners		
11.3.1 – Criteria	In order to qualify as a disabled person, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	May not own any other property within the

		Newcastle municipality;
	(d)	Have an income threshold as defined in the Council's Customer Care Policy;
	(e)	Make application annually on the prescribed form and within the prescribed period.
11.3.2 – Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.4 Child-Headed Households		
11.4.1 Criteria	A household may be recognized as a child-headed household if it is deemed to fit the definition as contained at the beginning of this policy, and the owner must :	
	(a) Live permanently on the property;	
	(b) May not own any other property within the Newcastle municipality;	
	(c) Make application annually on the prescribed form and within the prescribed period.	
11.4.2 Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.5 Rural communal land	
Criteria	Agricultural or township land where there is a single cadastral holding developed predominately for residential purposes and/or traditional rural homesteads (imizi) and which may also have a variety of non-residential top structures which collectively constitute the minority in terms of measured building area, and which may be rated separately in terms of the Act. This category or property may include State Trust Land, property belonging to the Ingonyama Trust Board, property belonging to land reform beneficiaries

	where the dominant use is residential rather than commercial agricultural use.	
Relief Granted	Any non-residential portion, unregistered, which vests in another party may be separately identified, valued and rated. For the first general valuation cycle the residential component of rural communal land will be valued as vacant and will be rated accordingly. Exemption will be extended to all rural communal land which has not been separately identified, valued and rated.	
11.5.2 Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.6 Properties Owned by Public Benefit Organisations		
11.6.1 Criteria	In order to qualify applicants shall produce a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the 9th Schedule to the Income Tax Act, 1962 (Act 58 of 1962)	
	(a)	Make application in writing annually in the prescribed format;
	(b)	Provide proof of ownership of the property and registration as a Public Benefit Organisation in terms of the Income Tax Act conducting one or more of the following specified public benefit activities listed in Part 1 of the 9th Schedule: • welfare and humanitarian; or • health care; or • education.
11.6.2 Relief granted	Properties meeting the above criteria shall be exempted from the payment of rates.	

11.7 Agricultural Properties
When considering criteria to be applied in respect of any relief for properties used

for agricultural purposes a municipality must take into account: (a) The extent of services provided by the municipality in respect of such properties; (b) The contribution of agriculture to the local economy; (c) The extent to which agriculture assists in meeting the service delivery and development obligations of the municipality; and (d) The contribution of agriculture to the social and economic welfare of farm workers.		
In order to qualify for the rebates detailed hereunder, the Farmers Association/s within the municipal jurisdiction shall present a submission motivating for the criteria as listed above within the prescribed time frame. All owners of agricultural properties within the municipality will receive relief based upon this evidence as determined through the municipal budgetary processes. Failure on behalf of the relevant Farmers Association to submit this evidence will leave the municipality without a basis for the consideration of relief for this property sector in terms of the prescribed criteria.		
11.7.1 Rebate granted	Percentage rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.8 Properties Situated Outside of the Proclaimed Boundaries of the Townships		
11.8.1 Criteria	The owner of a property situated outside of the proclaimed boundaries of the townships within the municipality, excluding properties categorized as agricultural properties, rural communal land and public service infrastructure, shall receive apart from any other rebates, reductions and exemptions that may be applicable, a rebate in lieu of the limited municipal services available to such properties.	
11.8.2 Rebate granted	Percentage rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.9 It is recorded that in terms of section 17(1)(h) of the Act that the levying of rates on the first R15,000 of the market value of a residential property is impermissible.

11.10 The municipality may, in its budget, extend this relief through a further reduction in market value of residential property depending upon affordability factors determined by the Council.

11.11 Residential Properties with a Market Value Below a Prescribed Municipal Valuation Threshold	
11.11.1 Criteria	The owner of a property assigned to a category determined by this policy for residential purposes with a municipal valuation below a threshold to be determined annually through the budgetary process shall be exempted from the liability for the payment of rates. In other words a further discretionary reduction may be applied to the residential category of properties in additional to the first R15,000 of the market value which is a prescribed impermissible rate.
11.11.2 Relief granted (Impermissible rate + reduction)	The owner of a property meeting the above criteria is exempted from the payment of rates.

11.12 Properties Affected by a Disaster or other serious adverse social or economic conditions		
11.12.1 – Criteria	In order to qualify as a disaster or other serious adverse social or economic conditions owner, the owner must qualify in terms of the following:	
	(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or
	(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.

11.12.2 – Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.13 Bed and Breakfast establishments		
11.13.1 – Criteria	In order to qualify for a rebate as a Bed and Breakfast Establishment:	
	(a)	The applicant must provide details of the establishment in respect of total size of developed property, total number of rooms and facilities available to guests.
	(b)	An annual application must be made by 30 April preceding the start of the new financial year for which relief is sought.
	(c)	The applicant must attach a copy of their current Certificate of Membership of the Local Tourism Authority.
11.13.2 – Rebate Granted	Percentage Rebate	A rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.

11.14 Municipal Properties	
11.14.1- Criteria	All Municipal owned properties are exempted from property rates, except for: (a) Trading services (b) All property owned by an owner as defined in this policy.
11.14.2 Relief granted	Properties meeting the above criteria shall be exempted from the payment of rates.

<table>
<tr><td colspan="4">11.14 Commercial/Industrial Development</td></tr>
<tr><td>11.14.1 – Criteria</td><td colspan="3">This benefit is meant for new businesses/commercial developments who will be investing in the Newcastle area and where the property has/will have a market value of at least R 50 million at the start of business, in the establishment of newly improved sites.
• From years 0 – 4 = ~~75%~~ 40% rebate
• From years 5 – 6 = ~~50%~~ 25% rebate
• From years 7 – 8 = ~~25%~~ 10% rebate
• From year 9 onwards = 0% rebate</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td>(a)</td><td>An annual application must thereafter be made by 30 May preceding the start of each new financial year for which relief is sought.</td></tr>
<tr><td></td><td>(b)</td><td>The applicant must attach to their annual application, a copy of their current Business Licence as well as a set of the company's audited financial statements.</td></tr>
<tr><td>11.14.2 – Rebate Granted</td><td colspan="2">Percentage Rebate</td><td>The above rebate may be applied at the Council's discretion, dependent on budgetary affordability factors.</td></tr>
</table>

11.15 It is recorded that the market value of a property for the purpose of levying rates be capped at a value to be determined by Council from time to time.

PART TWELVE : COMMUNITY PARTICIPATION

12.1 It is recorded that the municipality may only adopt its rates policy or any amendment thereof or any review of its policy after following a process of

community participation in accordance with Chapter 4 of the Municipal Systems Act, as well as sections 4 and 5 of the Act. These provisions include:

12.1.1 Building capacity of the local community to enable it to participate in the affairs of the municipality; and

12.1.2 To foster community participation for which the municipality will allocate funds in its budget for such processes.

12.2 Participation by the local community in municipal affairs will take place through the political structures of the municipality; the mechanisms, processes and procedures for participation in municipal governance and any other appropriate mechanisms processes and procedures established by the municipality.

12.3 The municipality will provide for:

12.3.1 The receipt, processing and consideration of petitions, objections and comments lodged by the members of the local community;

12.3.2 Public meetings and hearings by the Council and other political structures (e.g. ward committees) and political office bearers of the municipality;

12.3.3 Consultative sessions with locally recognized community organizations and where appropriate traditional authorities.

12.4 Communication with the public relating to the rates policy will be in terms of section 4(2) of the Act by notice in:

12.4.1 Local newspapers circulating in its area and determined by the council as a newspaper of record; and/or

12.4.2 Official notice boards and other public places accessible to the public including the library and the municipal offices; and

12.4.3 Inviting the local community to submit comments and representations within the time specified in the notice;

12.4.4 Publication of the relevant documentation of the municipal website.

PART THIRTEEN: RECOVERY OF RATES

13.1 The following shall be liable for the payment of rates levied by the municipality:

13.1.1 Owner of a property;

13.1.2 Joint owners of a property, who shall be liable jointly and severally;

13.1.3 The owner of a sectional title unit; and

13.1.4 In relation to agricultural properties:

13.1.4.1 any one joint owner of the agricultural property for all the rates levied on the agricultural property; or

13.1.4.2 Each individual joint owner for that portion of rates levied on the joint owner's undivided share in the agricultural property, whichever option the municipality may choose in relation to agricultural properties.

13.2 In terms of section 26 of the Act the municipality will recover rates:

13.2.1 on an installment basis; or annually, as may be agreed between the parties.

13.3 The municipality will furnish each person liable for the payment of rates with a written account in terms of section 27 of the Act.

13.4 The municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of section 28 of the Act.

13.5 The municipality may recover rates due, either whole or in part, from the agent of the owner if this is more convenient for the municipality and in terms of section 29 of the Act.

13.6 Rates must be paid on or before a date determined by the municipality. The municipality may impose interest on overdue amounts.

13.7 The procedures regarding the determination of rates or any portion that are outstanding and the processes to be followed to recover such amounts are contained within the municipality's Customer Care, Credit Control and Debt Collection Policy.

PART FOURTEEN: CONSOLIDATION AND APPORTIONMENT OF PAYMENTS

14. Separate accounts of persons liable for payment to the municipality for either rates or services may be consolidated in one account and any appropriation of payments will be done in accordance with the municipality's Customer Care, Credit Control and Debt Collection Policy.

PART FITTEEN: DEFERMENT OF RATES

15. The municipality may on application defer the payment of rates in terms of section 26(3) of the Act, but only in special circumstances which may be prescribed by the Council.

PART SIXTEEN : IMPERMISSIBLE RATES IN TERMS OF SECTION 17 OF THE ACT

15. It is recorded that the municipality may not, in terms of section 17 of the Act levy a rate on:

16.1 the first 30% of the market value of public service infrastructure;

16.2 Any property referred to in paragraphs (a) (b) (e) (g) and (h) of the definition of "public service infrastructure."

16.3 the first R 15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality –

(i) for residential properties; or

(ii) for properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

16.4 A property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

16.5 The Minister, acting with the concurrence of the Minister of Finance, may from time to time by notice in the *Gazette*, increase the monetary threshold referred to in subsection 15.3 to reflect inflation.

16.6 The Minister may, by notice in the *Gazette*, lower the percentage referred to in subsection 15.1 but only after consultation with –

(i) Relevant Cabinet members responsible for the various aspects of public service infrastructure;

(ii) Organized local government; and

(iii) Relevant public service infrastructure entities.

16.7 The exclusion from rates of a property referred to in subsection 15.4 lapses if the property –

(i) Is disposed of by the religious community owning it; or

(ii) Is no longer used primarily as a place of public worship by a religious community or, in the case of an official residence contemplated in that subsection, is no longer used as such an official residence.

16.7.1 If the exclusion from rates of a property used as such an official residence lapses, the religious community owning the property becomes liable to the municipality concerned for any rates that, had it not been for subsection 15.3 would have been payable on the property during the period of one year preceding the date on which the exclusion lapsed.

16.7.2 The amount for which the religious community becomes liable in terms of paragraph 15.7.1 must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

PART SEVTEEN : CONSTITUTIONALLY IMPERMISSIBLE RATES

17. The Act provides that in terms of section 229(2)(a) of the Constitution a municipality may not exercise its power to levy rates on property in a way that would materially an unreasonably prejudice -

17.1 national economic policies;

17.2 economic activities across its boundaries; or

17.3 the national mobility of goods, services, capital or labour.

PART EIGHTEEN: NEWLY RATED PROPERTY

18 Any property which has not previously been rated must be phased in over a period of three financial years subject to the condition that:

18.1 property registered in the name of a land reform beneficiary must be phased in after the exclusion period referred to in section 17(1)(g) of the Act;

8.2 The phasing in period shall be as set out in the following table:

Applicable rates for newly rateable properties to be phased in over three years

Year	Percentage Rates Payable
First	25%
Second	50%
Third	75%

PART NINTEEN: TRANSITIONAL ARRANGEMENT: PUBLIC SERVICE INFRASTRUCTURE

19.1 The prohibition on the levying of rates on public service infrastructure referred to in section 15.2 must be phased in over a period of 5 municipal financial years, with effect from 1 July 2015;

19.2 the rates levied on the property must

19.2.1 in the first year, must be no more than 80 percent of the rate for that year otherwise applicable to that property;

19.2.2 in the second year, must be no more than 60 percent of the rate for that year otherwise applicable to that property;

19.2.3 in the third year, must be no more than 40 percent of the rate for that year otherwise applicable to that property;

19.2.4 in the fourth year, must be no more than 20 percent of the rate for that year otherwise applicable to that property;

19.2.5 in the fifth year, must be no more than 10 percent of the rate for that year otherwise applicable to that property;

NEWCASTLE MUNICIPALITY

INDIGENT POLICY

PREAMBLE

Whereas the municipality receives an equitable share contribution from National Treasury annually;

And whereas the National Department of Provincial and Local Government has issued guidelines regarding indigent support;

And whereas the municipal council wishes to give access to basic services for all of its communities;

Now therefore the municipal council of NEWCASTLE adopts the following Indigent Policy.

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DEFINITIONS

1. In this policy, unless inconsistent with the context –

"**account holder**" means any person over 16 years of age who is responsible for the family unit and/or for the payment of any services accounts.

"**commercial activity**" means any activity for profit or gain.

"**financial year**" means the financial year of the municipality that runs from July to June.

"**indigent**" means a household earning a combined total monthly income as determined by Council from time to time.

"**industrial activity**" means any activity that involves the manufacturing or production of a product.

"**municipality**" means the Newcastle Municipality.

"**resident**" means a person or family unit that ordinarily resides within the area of jurisdiction of Newcastle Municipality either within their own or leased accommodation.

PURPOSES OF THE INDIGENT POLICY

2. (1) The purposes of the indigent policy are to:

(a) provide basic services to the community within the financial and administrative capacity of the municipality;

(b) provide procedures and guidelines for the subsidisation of basic service charges to indigent households using the equitable share allocation received from ~~Central Government~~ National Treasury and other budgetary provisions;

(c) ensure affordability by subsidising tariffs calculated in terms of the municipality's tariff policy and by setting appropriate service levels in accordance with the municipality's service delivery plan.

CRITERIA FOR QUALIFICATION

3. (1) In order to qualify for indigent support the following criteria must be met:

(a) The verified gross monthly income of all household occupants over 18 years of age may not exceed the amount approved by Council during the annual budget process;

(b) The accountholder must complete an official application form and provide the required documentary proof;

(c) The account holder must reside in the municipal area and may not conduct any commercial or industrial activity from the property;

(d) The applicant must be the full-time occupant and may not own any other property, whether in or out of the municipal area, unless such property is vacant or is improved and held for investment purposes and an economical rental is obtained therefrom and is included in the gross monthly income.

(e) The application will be approved by the municipality after the information supplied has been verified and recommended by the respective ward councillor;

(f) An indigent account holder must immediately request de-registration if his/her circumstances have changed to an extent that s/he no longer qualifies for indigent support;

(g) All applicants shall be informed in writing with regard to the outcome of their application;

(h) In the event that the approved accountholder passes away, the heir/s of the property must re-apply for indigent support provided they qualify in terms of the stipulated criteria;

(i) Council reserves the right to send officials to premises/households for the purpose of conducting an on-site audit of the details provided as well as for indigent audit purposes.

(j) The ~~existing and future~~ rate account of a ~~indigent~~ household where the account holder is deceased, i.e. an "estate late" account, may be accepted, on condition that only the surviving spouse and/or dependent children ~~or~~/ legal representative on their behalf, may apply;

(k) Where an existing indigent account holder is now deceased, the "estate late" owner account can continue to benefit as an indigent account provided that the surviving spouse and/or dependent children, as included in the original application, apply for and qualify for indigent support as a legal tenant.

(2) The following documents are compulsory and must be attached to all application forms:

a) Identity Book;

b) Proof of income, i.e. pension / government grant card / pay slip etc., if applicable; or sworn affidavit indicating monthly income;

c) Names and identity books of all persons residing on the property;

d) Three month's bank statements, if applicable.

(3) The following additional documentation must be attached; where applicable depending on the individual circumstances:

(a) SASSA pensioners: SASSA card together with ~~auto~~ ATM/ bank slip/ purchase slip dated within the past month to indicate that the card is still current;

(b) A sworn affidavit if the client has no other bank account;

(c) A sworn affidavit or legal proof regarding their separation if a married couple is no longer living together but not yet officially divorced;

(d) Any relevant death certificates should the house be registered in both partners name;

(e) Retrenchment letter;

(f) Decree of divorce;

(g) Marriage certificate;

(h) Letter of authority order.

EXTENT OF INDIGENT SUPPORT

4. (1) Subsidies will be limited to rates, water, refuse removal, electricity and sewerage disposal services.

(2) Subsidies will be determined during the compilation of the annual budget.

(3) The source of funding of the indigent subsidy is that portion of the equitable share contribution received from National Treasury and any additional provisions made by council and provided for in the annual operating budget.

(4) The subsidy will only be credited to the qualifying customer's accounts until the amount provided on the budget has been exhausted.

(5) In respect of water, a 100% subsidy up to ~~12~~ 6 kl consumed per household and the basic charge, per month will apply. Additional usage of water on special occasions i.e. funerals and memorial services, is however, to be allowed upon application with the relevant ward councillor approval, if necessary.

(6) In respect of electricity consumed, a 100% subsidy up to 50kWh consumed per household and the basic charge, per month will apply.

(7) In respect of refuse removal services, a 100% subsidy will apply.

(8) In respect of sewerage disposal services, a 100% subsidy will apply.

(9) In respect of property rates, the owner will receive a 100% subsidy.

(10) If consumption per metering period (month) exceeds any of the norms stated in (5) and (6), usage will be restricted and the accountholder will be obliged to pay for such excess consumptions at the applicable normal tariffs.

(11) If a customer's consumption or use of municipal service is less than the subsidised service, the unused portion may not be accrued and the customer will not be entitled to a cash rebate in respect of the unused portion.

(12) Annual service charges on the indigent's account will automatically be converted to monthly instalments.

(13) The accounts of indigent households will be exempted from interest.

(14) Where it occurs that consumers are minors due to circumstances, the support will be determined as per Council decision from time to time.

(15) Occupiers of the Government Assisted Housing Schemes are subsidised with regard to their housing instalments and rentals in terms of the National Housing Act.

(16) The municipality may make alternative energy sources available in place of electricity.

ARREARS ON INDIGENT ACCOUNTS

5. (1) Once an application for indigent support has been approved all arrears on the consumer account will be written off.

(2) Arrears related to excess services consumed and housing instalments or rental may be recovered through the restriction of services, either water or electricity, where applicable.

NON-COMPLIANCE OF HOUSEHOLDS REGISTERED AS INDIGENT

6. (1) When a property owner or occupier who has registered as an indigent fails to comply with any of the conditions relevant to the receipt of indigent relief, such person will forfeit his or her status as a registered indigent with immediate effect, and will thereafter be treated as an ordinary accountholder.

(2) The onus is on each registered indigent to advise the Council of such failure to comply due to the changed circumstances

(3) The indigent status of a customer will be reviewed from time to time, at intervals as determined by Council. This could be done by either physical audit or external verification check (ITC – Credit Bureau). Should the requirements not be met, the subsidy for that consumer will be cancelled.

(4) If a registered indigent is found to have provided fraudulent information to the municipality in regard to any material condition for registration as an indigent, such person shall immediately be removed from the register of indigents, and shall be liable to repay the municipality with immediate effect all indigent relief received and debt written off from the date of such fraudulent registration.

(5) Indigent support will be automatically terminated under the following circumstances:

(a) Upon identification of the death of the accountholder unless the conditions in terms of 3 (1) (k) above are met;

(b) Upon identification of the accountholder who no longer qualifies for indigent support in terms of 6 (3) above:

(c) When the indigent accountholder disposes of the property, either by sale or by means of donation, on date of vacation of the property or registration of transfer whichever occurs first.

(d) Upon termination of the lease or vacation of the premises with regard to a tenant account.

(e) Upon identification of the accountholder who no longer qualifies for indigent support in terms of this policy.

REPORTING REQUIREMENTS

7. (1) The Strategic Executive Director: Budget and Treasury Office shall report for the month concerned and, where possible, by municipal ward:

(a) the number of households registered as indigents and a brief explanation of any movements in such numbers;

(b) the monetary value of the actual subsidies and rebates granted;

(c) the budgeted value of the subsidies and rebates concerned; and

(d) the above information cumulatively for the financial year to date; and

(e) Any other detail as required by the Council.

SHORT TITLE

8. This policy shall be called the Indigent Policy of the Newcastle Municipality.

IMPLEMENTATION AND REVIEW

9. (1) The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director: Budget and Treasury Office, once approved by Council.

(2) The policy shall be reviewed annually as part of the budget process.

NEWCASTLE MUNICIPALITY

CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY

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G ANNEXURES 33

SECTION A3 - CREDIT CONTROL, DEBT COLLECTION AND CUSTOMER CARE POLICY

A DEFINITIONS

For the purpose of these by-laws any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in these by-laws and unless the context indicates otherwise.

"account"	any invoice / statement rendered for municipal services provided;
"account holder"	any person who is due to receive a municipal account, which includes a user of pre-paid electricity or water; **Includes a customer / consumer and refers to any occupier of any premises to which Council has agreed to supply or ios actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;**
"Act"	The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), as amended from time to time;
"applicable charges"	the rates, charges, tariffs, flat rates or subsidies determined by the Municipal Council during the budget process, including those costs or fees relating to or incurred during the Credit Control and Debt Collection processes;
"average consumption"	means the deemed consumption of a customer of a municipal service during a specific period, which is calculated by dividing the total actual consumption of that municipal service by that customer over the preceding three months by three;
"shared consumption"	means the consumption of a customer of a municipal service during a specific period, which consumption is calculated by dividing the total metered consumption of that municipal service within the supply zone within which a customer's premises is situated for the same period by the number of customers within that supply zone, during the same period;
"actual consumption"	means the measured consumption of any customer;
"agreement"	means the contractual relationship between the municipality or its authorised agent and a customer, whether written or deemed;
"area of supply"	means any area within or partly within the area of jurisdiction of the municipality to which a municipal service or municipal services are provided;

"arrears"	means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;
"authorised agent"	means – (a) any person authorised by the municipal council to perform any act, function or duty in terms of, or exercise any power under these by-laws; and / or (b) any person to whom the municipal council has delegated the performance of certain rights, duties and obligations in respect of providing revenue services; and / or (c) any person appointed by the municipal council in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorised in such contract;
"billing"	means invoicing on a municipal account to an account holder of an amount or amounts payable for assessment rates, metered services, other municipal charges, levies, fees, fines, taxes, or any other amount or amounts payable arising from any other liability or obligation;
"commercial customer"	any customer other than household and indigent customers, including without limitation, business, government and institutional customers;
"connection"	the point at which a customer gains access to municipal services;
"customer"	Any person liable to the Municipality for Provision of Municipal services;
"consumer"	the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there be no such person, then the owner of the premises
"defaulter"	means a customer in ~~who owes~~ arrears;
"due date"	means the date specified as such on a municipal account dispatched by the municipality to an account holder for any charges payable and which is the last day allowed for the payment of such charges;
"emergency situation"	means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the municipality or a specific municipal service;
"estimated consumption"	means the deemed consumption by a customer whose consumption is not measured during a specific period, which estimated consumption is rationally determined taking into account at least the consumption of

	municipal services for a specific level of service during a specific period in the area of supply of the municipality or its authorised agent;
"final demand"	means any notification by the Municipality or its authorized agent demanding payment of arrears, including, but not limited to a hand delivered notice, e-mail, fax, telephone reminder or registered letter;
"household customer"	means a customer that occupies a dwelling, structure or property primarily for residential purposes;
"household"	means a traditional family unit
"illegal connection"	means a connection to any system through which municipal services are provided that is not authorised or approved by the municipality or its authorised agent;
"indigent customer"	means a household customer qualifying and registered with the municipality as an indigent in accordance with the Indigent Policy;
"interest"	means the rate of interest determined by the Council payable on the amount due in terms of a municipal account which is in arrears;
"municipality"	means – (a) the Newcastle municipality established in terms of section 12 of the Structures Act or its successors-in-title; or (b) the municipal manager of the Newcastle council in respect of the performance of any ion or exercise of any right, duty, obligation or function in terms of these by-laws;
"municipal council"	means the municipal council as referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);
"municipal manager"	means the person appointed by the municipal council as the municipal manager of the municipality in terms of section 82 of the Local Government municipal Structures Act, 1998 (Act No. 117 of 1998) and includes any person – (a) acting in such position; and (b) to whom the municipal manager has delegated a power, function or duty in respect of such a delegated power, function or duty;
"municipal services"	means for this purpose, services provided by the municipality or its authorised agent, including refuse removal, water supply, sanitation, electricity services and rates or any one of the above;
"occupier"	includes any person in actual occupation of the land or premises without regard to the title under which he occupies, and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

"owner" means -

(a) a person in whom the legal title to a premises is vested;

(b) in a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;

(c) in the event that the municipality is unable to determine the identity of the person in whom the legal title is vested, the person who is entitled to the benefit of such premises or a building thereon;

(d) in the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

(e) in relation to -

  (i) a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and without restricting the above, the developer or the body corporate in respect of the common property; or

  (ii) a section as defined in such Act, the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

(f) any legal person including, but not limited to -

  (i) a company registered in terms of the Companies Act, 1973 (Act No. 61 of 1973), Trust inter vivos, Trust mortis causa, a Closed Corporation registered in terms of the Closed Corporation's Act, 1984 (Act No. 69 of 1984), a voluntary association;

  (ii) any Department of State;

  (iii) any Council or Board established in terms of any legislation applicable to the Republic of South Africa; and

  (iv) any Embassy or other foreign entity;

(g) a lessee of municipal property who will be deemed to be the owner for the purposes of rendering a municipal account;

(h) A person who is not a registered owner of a property, in occupation of such property by virtue of the Black administration Act.

"person" includes any legal person or entity;

"premises" means any piece of land, the external surface boundaries of which are delineated on -

(a) a general plan or diagram registered in terms of Land Survey, Act of 1927 (Act No. 9 of 1927), or in terms of the Deeds Registry, Act of 1937 (Act No. 47 of 1937); or

(b) a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 93 of 1986), which is situated within the area of jurisdiction of Council;

(c) and includes any other land and any building or structure above or below the surface of any land;

"public notice" means publication in an appropriate medium that may include one or more of the following -

(a) publication of a notice, in the official languages determined by the municipal council, –
  (i) in the local newspaper or newspapers in the area of the municipality; or
  (ii) in the newspaper or newspapers circulating in the area of the municipality determined by the municipal council as a newspaper of record; or
  (iii) by means of radio broadcasts covering the area of the municipality; or

(b) displaying a notice at appropriate offices and pay-points of the municipality or its authorised agent; or

(c) communication with customers through public meetings and ward committee meetings;

"subsidised service" means a municipal service which is provided to a customer at an applicable rate which is less than the cost of actually providing the service including services provided to customers at no cost;

"supply zone" means an area, determined by the municipality or its authorised agent, within which all customers are provided with services from the same bulk supply connection;

"sundry charges" a charge to a customer not directly linked to a property;

"tampering" means any unauthorised interference with the municipality's supply, seals and metering equipment and "tamper" has a corresponding meaning;

"unauthorised services" means receipt, use or consumption of any municipal service which is not in terms of an agreement, or authorised or approved by the municipality or its authorised agent.

B OBJECTIVES, SCOPE AND IMPLEMENTATION OF POLICY

1. Objectives and scope

The Council, in adopting this policy recognises its constitutional obligation to promote social and economic development in harmony with the environment and to ensure the provision to communities of services which are affordable and of an acceptable standard.

It further recognises that it cannot fulfil its constitutional duties unless it ensures compliance by members of the local community with the provisions of section 5(2)(b) of the Act, to pay promptly for service fees, surcharges on fees, rates on property and other taxes, levies and duties which have been legitimately imposed by it (subject to the relief afforded in its Indigent Policy).

The Council is further mindful of its obligations in terms of sections 95 and 97 of the Act and accordingly aims:

(a) Through the implementation of this policy, to ensure that the municipality is financially and economically viable;

(b) To establish and maintain a customer care and management system which aims -
  (i) to create a positive and reciprocal relationship between the municipality and an account holder;
  (ii) to establish mechanisms for an account holder to give feedback to the municipality regarding the quality of the services and the performance of the municipality;
  (iii) to ensure that reasonable steps are taken to inform an account holder of the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services provided, are utilised;
  (iv) to ensure, where the consumption of services has to be measured, that reasonable steps are taken to measure the consumption by individual account holders of services through accurate and verifiable metering systems;
  (v) to ensure that an account holder receives regular and accurate accounts that indicate the basis for calculating the amounts due;
  (vi) to provide accessible mechanisms for an account holder to query or verify a municipal account and metered consumption and appeal procedures which allow the account holder to receive prompt redress for inaccurate accounts;
  (vii) to provide accessible mechanisms for dealing with complaints from an account holder, together with prompt replies and corrective action by the municipality, and to provide mechanisms to monitor the response time and efficiency of the municipal's actions;
  (viii) to provide for accessible pay points and other mechanisms for settling an account or for making pre-payments for services;

(c) To put in place credit control and debt collection mechanisms and procedures which aim to ensure that all money that is due and payable, from whatever cause, to the municipality, subject to the Act and other legislation, is collected;

(d) To achieve and maintain consistently high levels of payment by its customers in accordance with the best practice achieved in municipalities in the Republic and in accordance with the standards set each year by the Council in conjunction with its approval of the Budget;

(e) Provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;

(f) Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner[1];
(g) Set realistic targets for debt collection;
(h) Outline credit control and debt collection policy procedures and mechanisms.

2. Implementation, Enforcement and Delegation

2.1. Municipal Manager is the responsible and accountable officer

The Municipal Manager -

(a) is responsible to the Mayor / Council for the implementation and enforcement of the provisions of this policy;

(b) must, for the purposes of (a) take the necessary steps to implement and enforce the provisions of this policy;

(c) is accountable to the Mayor / Council for the agreed performance targets as approved by Council and the Mayor, and for these purposes must

(i) from time to time, report to the Mayor / Council on matters relating to this policy, including but not limited to -

- the effectiveness of this policy and the administrative mechanisms, resources, processes and procedures used to collect money that is due and payable to the municipality;
- billing information, including the number of account holders, accruals, cash flow, and customer management;
- the satisfaction levels of account holders regarding services rendered;
- the effectiveness of the provisions to assist the poor herein and in the Indigent Policy;

(ii) at regular intervals meet with and receive reports from the Chief Financial Officer and other staff members with the aim of submitting recommendations on this policy to the Mayor;

(iii) where necessary, propose steps to the Mayor with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures;

(iv) where necessary, propose to the Mayor actions and adjustments to correct deviations;

(v) establish effective communication channels between the municipality and account holders with the aim of keeping account holders abreast of all decisions by Council that may affect them;

(vi) establish customer service centres which are located in such communities as determined by Council;

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[1] Section 96(a) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) provides that a municipality must collect all money that is due and payable to it subject to this Act and any other applicable legislation.

(vii) identify, appoint, and enter into agreements with suitable business concerns, institutions, organizations, establishments or parastatal institutions to serve as agencies of the municipality in terms of this policy;

(viii) convey to account holders information relating to the costs involved in service provision, the reasons for payment of service fees, and the manner in which monies raised from the services are utilised, and may where necessary, employ the services of local media to convey such information;

(ix) expedite the processing of complaints or inquiries received from an account holder and must ensure that an account holder receives a response within a time determined by this policy and must monitor the response time and efficiency in these instances;

(x) in line with the latest technological and electronic advances, endeavour to make twenty-four hour electronic inquiry and payment facilities available to account holders;

(xi) encourage account holders and take steps where needed, to ensure settlement of outstanding accounts within the ambit of this policy;

(xii) with the consent of an account holder, enter into an agreement with the account holder's employer to deduct from the salary or wages of the account holder -

- any outstanding amounts as may be agreed;
- such regular monthly amounts as may be agreed, and may provide special incentives for employers to enter into such agreements, and employees to consent to such agreements.

2.2. Role and responsibility of Councillors

2.2.1. Section 99 of the Act appoints the Mayor as the supervisory authority to oversee and monitor the implementation and enforcement of this policy, the performance of the Municipal Manager in implementing it and its associated bylaw and as required by the Council, to report to it.

2.2.2. In addition to the monitoring role provided in 2.2.1 above, all Councillors are responsible for promoting this policy and compliance with it. In order to maintain the credibility of this policy as adopted by the Council, all Councillors must lead by example and ensure that his/her account with the municipality is and remains paid in full. **Full details of all accounts of Councillors shall be tabled before the Finance Committee and disclosed in the municipality's financial statements.**

2.2.3. Ward councillors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.

2.3. Reporting to Council

2.3.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council. This report is not limited to but shall at least provide information on the following:

i. Cash flow information for the capital and operating accounts, and combined situation, showing Council's actual performance against its cash flow budgets.

ii. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into wards, business (commerce and industry) domestic, state, institutional and other such divisions.

iii. Performance of all areas against targets agreed to in term of paragraph 18 of this policy document.

iv. Council's on-going income and expenditure statements, comparing both billed income and cash receipt income, against on-going expenditure in both the capital and operating accounts.

2.3.2. If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

2.3.3. Council shall regularly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements of treasury which requirements take into account Council's agreed targets of customer care and management, and debt collection, and after considering this report, Council will within reason vote such resources as are necessary to ensure that Treasury has the staffing and structures to meet Council's targets in this regard or to outsource the service.

2.4. Delegation

The necessary power and authority is hereby delegated to the Municipal Manager to enable him/her to fulfil his/her responsibilities and obligations in term hereof, with full authority to further delegate any specific responsibility.

C CUSTOMER CARE AND CREDIT CONTROL

3.1. Application for supply of municipal services and service agreements

3.1.1. Application forms are available at the municipal offices and the application process for the supply of services to any premises must be made at least four working days prior to the service being required, in the prescribed format, and must comply with the conditions as determined by the Municipal Manager or his or her delegate from time to time. This will ensure that services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having services available when occupation is taken. Once the application is approved, a service agreement will be entered into and services will commence.

3.1.2. Only the owner of a property, his duly authorised agent on his or her behalf or a legal tenant may apply for municipal services to be supplied to a property. On default by a tenant, the owner is the debtor of last resort. The tenant will be required to provide proof of legal occupation, preferably an originally signed lease agreement or a certified copy thereof, a certified copy of the owners ID and a signed guarantee by the owner prior to being allowed to sign the service agreement.

3.1.3. No services shall be supplied unless and until application has been made by the owner/tenant and a service agreement in the prescribed format has been entered into and the deposit as provided for in paragraph 3.3 has been paid.

3.1.4. Sundry accounts- the customer must provide the Municipality with a Municipal account number or rate account number. If the customer does not have an existing Municipal account, then a new account must be created.

3.1.5. It there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before any customer/owner is registered for services.

3.1.6. Customers who fail to register and who illegally consume services will be subjected to such administrative and/or civil action as the municipality deems appropriate.

3.1.7. Where the purpose for or extent to which any Municipal service used is changed, the onus and obligation is on the customer/owner to advise the Municipality of such change.

3.1.8. The service agreement shall set out the conditions under which the services are provided and shall require the signatories thereto to agree to abide by the provisions of the Municipality's credit control policy and Bylaws.

3.2. Credit screening

3.2.1. The municipality may require of an applicant to submit information and documentary proof so as to enable it to bring its records up to date and to assess the creditworthiness of the applicant and may require such information to be provided on oath.

3.2.2. For the purposes of determining the creditworthiness of an account holder the municipality may make use of the service of a credit bureau, or such any other agency or means as the Municipal Manager or his delegate may determine from time to time.

3.2.3. The Municipality may make use of services of the credit bureau, or such any other agency to register details of the customers/owner's account where in default.

3.3. Deposits

3.3.1. On approval of the application and before the service is made available, the municipality may require the applicant -

(a) to deposit a sum of money, as determined by the Council from time to time, with the municipality to serve as security for the due payment of services and working capital;

(b) to provide any other form of security;

(c) to agree to special conditions regarding payment of the municipal account.

3.3.2. The Municipal Manager may from time to time review the adequacy of the sum of money deposited and if necessary call for additional security.

3.3.3. The Municipal Manager may, in respect of preferred customers, but only in terms of this policy, consider relaxation of the conditions pertaining to deposits as set out in 3.3.1 and 3.3.2 above.

3.3.4. On termination of the supply of services, the amount of such deposit, less any payments due to the municipality, must be refunded to the depositor.

3.3.5. Deposits forms part of the Councils' operating capital and no interest will be payable on such deposits.

3.3.6. Registered Indigent households will not be liable for a deposit on condition that consumption will be limited / restricted to a level as determined by the Council in its Indigent Policy.

3.3.7. If the customer is in arrears, the deposit may be increased to cover the higher exposure to risk.

3.4. Billing[1] and payment of Accounts

3.4.1. The account holder must pay all amounts due to the municipality as reflected in the municipal account, and the onus is on the account holder to verify the accuracy of such account, provided however that:

(a) the Council may from time to time offer a discount on amounts due to the municipality as an incentive for timely payment of current amounts due by the due date therefor;

(b) an account holder remains liable to make payment of the full amount due, on due date therefor and any discount becoming due to an account holder in terms of any such incentive in force from time to time will be reflected as a credit on the following month's account;

3.4.2. An account holder must pay for metered and other service charges, assessment rates, other municipal charges, levies, fees, fines, interest, taxes or any other liability or obligation from the date of origin of such municipal charges until the written termination of the services.

3.4.3. An account holder -

(a) has one account number and will be rendered one consolidated account for each premises to which services are rendered or for which rates are due, on which the due date for settlement of the total amount owing is reflected;

(b) will be rendered an account monthly in cycles of approximately thirty days;

3.4.4. Payment must be received before close of business on the due date.

3.4.5. Should any such service provider fail to furnish the municipality with the relevant details of payments made to it 3 days prior to the due dates thereof, such service provider may be held liable for all charges subsequently incurred by the municipality in pursuing recovery of an amount as a result erroneously reflected on the account of the account holder as being in arrear, as well as for interest charges.

3.4.6. The municipality may estimate the quantity of metered services supplied in respect of a period or periods within the interval between actual successive readings of the meters, and may render an account to an account holder for the quantity of metered services so estimated.

3.4.7. If the Municipality is unable to read any meter on any property because the meter has been rendered inaccessible, the municipality shall estimate the consumption of the service concerned and thereafter bill the consumer for the monetary value of such estimated consumption.

3.4.8. In the event that the Council continues to be unsuccessful in obtaining access to the property or meter for a period of 3 months and, therefore, is unable to obtain an actual meter reading, the Chief Financial Officer or his authorised representative may disconnect the supply.

3.4.9. If an account holder is dissatisfied with an account rendered for metered services supplied by the municipality, such account holder may, prior to the due date stipulated therein, lodge an objection in writing to the Chief Financial Officer, setting out reasons for such dissatisfaction. The Chief Financial Officer, duly delegated by the Municipal Manager, or his sub-delegate, shall adjudicate on the objection.

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[1] Section 95 (d) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within it's financial and administrative capacity take reasonable steps to ensure that the consumption of services has to be measured through accurate and verifiable metering systems.

3.4.10. Should an account holder lodge an objection the account holder must notwithstanding such objection, continue to make regular payments by the due date, of an amount equivalent to the average of the account holder's municipal account for the three month period prior to the month in respect of which the dispute is raised, and taking into account interest as well as the annual amendments of tariffs of Council.

3.4.11. An error or omission in any account or failure to render an account shall not relieve the account holder of the obligation to pay by the due date. The onus is on the customer to make every effort to obtain a copy of the account, or establish the amount payable for payment.

3.4.12. If an account holder uses water or electricity for a category of use other than that for which it is supplied by the municipality and is as a consequence not charged for water or electricity so used, or is charged for the water or electricity at a rate lower than that at which the account holder should have been charged, the account holder shall be liable for the amount due to the municipality in accordance with the prescribed charges in respect of-

(a) the quantity of water or electricity which in the opinion of the Municipal Manager, or his delegate, the account holder has used and for which the account holder has not been charged;

(b) the difference between the cost of the water or electricity used by the account holder at the rate at which the account holder has been charged and the cost of the water or electricity at the rate at which the account holder should have been charged.

3.4.13. An account holder shall not be entitled to a reduction of the amount payable for metered services which are lost due to a default in the meter, save in terms of the provisions of paragraph 6.8.

3.4.14. The municipality may-

(a) Have the accounts posted, or sent electronically if so registered, to all customers;

(b) The Municipality or it's authorised agent must, it administratively possible, issue a duplicate account to a customer on request. The Municipality will provide owners with copies of their tenant's accounts if requested.

(c) Consolidate any separate accounts of an account holder liable for payments to the municipality;

(d) Credit any payment by an account holder against any debt or account of that account holder and in its sole discretion allocate the payment between service debts on said account;

(e) Implement any of the provisions of this policy and Chapter 9 of the Act against such account holder in relation to any arrears on any of the accounts of such a person.

(f) When customer's information charges, customers are required to update their information details with the Municipality.

3.5. Termination of service agreement

3.5.1. Notice of termination of any service agreement must be in writing to the other party of the intention to do so. On termination of service a charge for the final reading shall be levied.

3.5.2. An owner may terminate a service agreement relating to a property sold by him, by giving not less than four working days' notice in writing.

3.5.3. The Municipal Manager or his delegate may advise an account holder of the termination of the agreement for a supply of municipal services if-

(a) The account holder has not consumed any water or electricity during the preceding six months, or has vacated the property and has not made satisfactory arrangements for the continuation of the agreement;

(b) The account holder has committed a breach of this policy and has failed to rectify such breach;

(c) The municipality is unable to continue to supply the account holder with municipal services as a result of the assumption by another authority of responsibility for the supply of the municipal service in question.

(d) Landlords are not permitted to terminate services if there are occupants on the property and the accounts is not in arrears, unless the owner has obtained an eviction court order.

(e) The Municipality may exercise its common-law right where a tenant on a property is in breach of his/her contract with the Municipality, and transfer the debt to the owners' account.

(f) When electricity and water consumption is recorded on a property during a period for which there is no registered account against whom a bill can be raised, the relevant charges for electricity and water services shall be raised against the registered owner on his consolidated bill.

3.6. Payment facilities and customer care information

3.6.1. The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

3.6.2. The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

3.6.3. Council's Customer Care, Credit Control and Debt Collection Policy should be available in Zulu, English and Afrikaans and will be made available by general publication and will also be available at Council's cash collection points.

3.6.4. The municipality may, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

3.6.5. The customer will acknowledge, in the customer agreement that the use of agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

3.6.6. Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.

3.6.7. The press will be encouraged to give prominence to Council's Customer Care and Debt issues, and will be invited to Council meetings where these are discussed.

3.6.8. Council aims to establish:

(a) A customer care unit;
(b) A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
(c) Appropriate training for officials dealing with the public to enhance communications and service delivery;
(d) A communication mechanism to give Council feedback on service, debt and other issues of concern.

3.6.9 Payments which are not allocated within the period of three years, due to incorrect reference

being used will be recognised as municipality's own revenue.

3.7. Business who tender to the Municipality

3.7.1. In order to comply with Supply Chain regulations and the Policy of the Council, the following will be applicable:

(a) When inviting bids for the provision of services or delivery of goods, potential contractors may submit bids subject thereto that consideration and evaluation thereof will necessitate that the bidder obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrear;

(b) A municipal account will includes any municipal service charges, taxes or other fees, fines and penalties due to the Municipality and outstanding at the relevant payment date;

(c) The Municipality will at its sole discretion check whether all the municipal accounts are up to date. Copies of all accounts sent to the bidder and to each director, owner, partner or trustee must be attached to the tender documents.

(d) Where a contractor's place of business or business interests are outside the jurisdiction of the municipality, a revenue clearance certificate from the relevant municipality must be produced.

(e) Before awarding the bid the Municipal debt of the bidder and of each director, owner, partner or trustee of the tenderer must be paid in full

(f) It will be a condition to allow the municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the debtor.

(g) This Policy applies to quotations, public bids and bids in terms of section 36 of the Supply Chain policy.

3.8. Staff and Councillors in Arrears

3.8.1 (a) Item 10 of schedule 2 to the Act stats that " A staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months and a Municipality may deduct any outstanding amounts from a staff Member's salary after this period."

(b) The Municipality shall liaise with the relevant staff on repayment of their arrears.

(c) The staff member must sign a credit authority in accordance with this Policy.

(d) No special treatment shall be afforded to staff in arrears.

3.8.2 (a) Item 12A of schedule 1 to the Act states that "A Councillor may not be in arrears to Municipality for rates and service charges for a period longer than three months."

(b) The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.

3.8.3 Where the staff or councillor's arrears have arisen due to any other reason, such arrear must be paid within 3 months.

3.8.4 Bonus payments and thirteenth cheques may be appropriated to the whole debt where suitable arrangements have not been made to pay off the debt.

3.8.5 On appointment to a higher post, employees who have signed a credit authority shall increase their instalments on the credit authority in accordance with their new salary increase.

3.8.6 All new employees to the Municipality are required to sign Direct Debits for the services registered in their names.

3.9. Arrear Accounts: Disconnection and Reconnection of Services

3.9.1 Arrears on rates and services or any other consolidated debt may result in disconnection of ANY service or with-holding of the use of Municipal facilities.

3.9.2 A termination fee will be raised on all accounts identified for disconnection.

3.9.3 Any official or contractor appointed by the Municipality for the purposes set out herein, may, at all reasonable times enter any premises to which services are supplied by the Municipality, in order to inspect pipes, wires or any apparatus used for the supply of services and belonging to the Municipality, for the purpose of ascertaining the quality of services supplied or consumed, or to disconnect or terminate such supply or remove any apparatus belonging to the Municipality. Should access be unreasonably denied or prevented, a disconnection penalty fee may be raised.

3.10 Incentives for prompt payment

3.10.1 The municipality may from time to time consider incentives for the payment of accounts to encourage payment, and to reward regular payers. Such schemes will aim at incentivising regular payment and not poor payment and the content of it will be submitted for approval by the Council under separate cover when appropriate.

3.10.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

3.11 Customer assistance programmes

3.11.1 Water leakages

(a) Water leaks after the water meter supplying to a premises, is the responsibility of the relevant owner/consumer and s/he remains responsible for payment of such metered water.

(b) The Municipality may introduce programmes to assist consumers in such cases where extensive losses are experienced because of under-ground leakages which went undetected for a period of time.

(c) The municipality may support and or introduce a Water Insurance scheme(s) that will assist and or protect consumers against losses as a result of water leakages. Premiums of such insurance protection will be payable by the participating consumer.

(d) Consumers remain responsible to control and monitor their consumption.

3.11.2 Assistance to Indigent Households to repair leakages

(a) The Municipality may assist registered indigent households to repair leaks in order to minimise water losses and limit consumption to the determined levels.

3.11.3 Assistance to the Poor and Child Headed Households

(a) Welfare is to be separated from tariff and credit control issues and will be supported by appropriate and affordable policies and practices. Indigent households will be identified and supported in terms of the Indigent Policy.

(b) An account holder who is in the seat of assistance must immediately notify the municipality in the event of any of the qualifying criteria applicable to the account holder changing to enable the municipality to review and to reconsider the household's status as a poor household.

(c) Households which qualify as poor households may receive a credit for some or all of the following:

i. A quantity of electricity;

ii. a quantity of water;

iii. the refuse removal charges;

iv. the sewerage charges;

v. assessment rates;

vi. any other service fees, taxes or charges over and above the rendered services; as may be determined by the Council from time to time in terms of its Indigent Policy.

(d) The normal rates, fees and charges and the requirement to pay an account will apply should a household account exceed the credit given.

D DEBT COLLECTION

4. Enforcement Mechanisms

4.1. Municipality's powers to restrict or disconnect supply of services[2]

4.1.1. Customers who have not paid their municipal account by the due date noted on the account and who have not made satisfactory arrangements with the council will have their supply of electricity and or water, and/or other municipal services, suspended, disconnected or restricted.

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[2] Section 97 (g) of the Local Government: Municipality Systems Act, 2000 provides that a credit control and debt collection policy must provide for termination of services or the restriction of the provision of services when payments are in arrears.

4.1.2. Council reserves the right to deny or restrict the provision of electricity and or water to customers who are in arrears with their rates or any other municipal charges.

4.1.3. The cost of the restriction or disconnection, as for the reconnection, will be determined by tariffs agreed by Council and will be payable by the customer.

4.1.4. The municipality may, in addition to any other provision in this policy, restrict or disconnect the supply of water and electricity, or discontinue any other service to any premises if-

(a) an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act No. 37 of 1944), in respect of an account holder;

(b) an account holder of any service fails to comply with a condition of supply imposed by the municipality;

(c) an account holder obstructs the efficient supply of electricity, water or any other municipal services to another account holder;

(d) an account holder supplies such municipal services to any person who is not entitled thereto or permits such service to continue;

(e) an account holder causes a situation which in the opinion of the Municipal Manager or his delegate, is dangerous or constitutes a contravention of relevant legislation;

(f) is placed under provisional liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act, 1936 (Act No. 24 of 1936).

4.2. Interest and penalties

4.2.1. Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation as provided for in the Tariff of Charges.[3]

4.3. Notification

4.3.1. Council will endeavour, within the constraints of affordability, to notify arrear debtors on the state of their arrears and to encourage them to pay. They will be informed on their rights (if any) to conclude arrangements or to apply for indigent subsidies should they comply with the conditions, and other related matters.

4.3.2. Such notification is not a right to debtors with arrears but a courtesy from the Council to improve payment levels and relations. Disconnection / restriction of services and other collection proceedings will continue in the absence of such notices and contact with debtors for whatever reason.

4.4. Legal Process / Use of attorneys / Use of credit bureaus

4.4.1. When steps to collect arrears have been taken and failed, Council will commence the legal process with that debtor, which process could involve the execution of judgements including sales of properties.

4.4.2. Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

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[3] Section 97 (e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.

4.4.3. Council will establish procedures and codes of conduct with these outside parties.

4.4.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

4.4.5. All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.

4.4.6. All costs of this process are for the account of the debtor.

4.4.7. Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing and this situation will be included in Council's agreement with its customers.

4.4.8. Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.

4.4.9. Council may consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or product vendors; and will be closely monitored by Council.

4.4.10. Customers will be informed of the powers and duties of such agents and their responsibilities including their responsibility to observe agreed codes of conduct.

4.4.11. Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

4.5. Theft and fraud

4.5.1. Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time [4].

4.5.2. Council will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.

4.5.3. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.

4.5.4. Council will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

4.5.5. Council may distinguish in its penalties between cases of vandalism and cases of theft.

4.5.6. Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.

4.5.7. Council reserves the right to lay charges and to take any other legal action against both vandals and thieves.

4.5.8. Any person failing to provide information or providing false information to the municipality may face immediate disconnection.

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[4] Section 97 (h) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for matters relating to unauthorised consumption of services theft and damages.

4.5.9. The Municipality may, in terms of section 28 and 29 of the Municipal Property Rates Act (MPRA), recover arrear rates from tenants in occupation of the relevant property, or managing agents, but only to the extent of the rent payable or amount due by the tenant but not yet paid to the owner of the property, This does not preclude further legal action against the owner.

4.6. Cost of collection

4.6.1. All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs associated with credit control and debt management are for the account of the debtor and should reflect at least the cost of the particular action.

4.7. Abandonment

4.7.1. The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt and the collection thereof can only be stopped in terms of the Provision for Doubtful Debts and Debt Write-off Policy.

4.7.2. There are some circumstances that allow for the valid termination of debt collection procedures, inter alia:

(a) The insolvency of the debtor, whose estate has insufficient funds;
(b) A balance being too small to recover, for economic reasons considering the cost of recovery.

4.8. Managing Assessment Rates

4.8.1. The Council may from time to time determine exemptions, reductions and rebates on the levying of assessment rates in accordance to the Local Government: Municipal Property Rates Act, 2004 (Act No 6 of 2004). The detail of this will be dealt with in the Councils' Property Rates Policy.

4.8.2. The Municipality may apply to court for the attachment of any rent due in respect of rateable property to cover in part or in full any amount due for assessment rates on said property which has remained unpaid for a period longer than three months after the payment date.

4.8.3. Where a company, close corporation, trust or a body corporate in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986) is responsible for the payment of any amounts for rates, liability therefor shall be extended to the directors, members or trustees thereof jointly as the case may be.

4.9. Rates clearance certificates

4.9.1. To affect the transfer of any immovable property from one registered owner to another, the Registrar of Deeds requires a clearance certificate, which certificate is obtainable from the Municipal Manager or his delegate, upon application therefore in the prescribed manner after payment of the prescribed fee.

4.9.2. In terms of Section 118 (3) of the Act an amount due for Municipal services fees, surcharge on fees, property rates and other Municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

4.9.3. Emanating from this legislation, clearance certificates will only be issued once arrears are paid in accordance to the requirements. Any debt not paid in terms of the Rates Clearance Certificate is required to be guaranteed by the proposed owner in order for the clearance certificate to be issued.

5. Arrangements for settlements

5.1. If a customer cannot pay his/her account with the municipality then the municipality may, enter into an extended term of payment with the customer. He/she must:

(a) Sign an acknowledgement of debt;

(b) Sign a consent to judgement;

(c) Provide a garnishee order/emolument order/stop order (if he or she is in employment);

(d) Acknowledge that interest will be charged at the prescribed rate;

(e) Pay the current portion of the account in cash;

(f) Sign an acknowledgement that, in the event of arrangements previously negotiated later being defaulted on, no further arrangements will be possible. Under such circumstances restriction / disconnection of water and electricity will immediately follow, as will legal proceeding.

5.2. Customers with electricity arrears should agree to the conversion to a pre-payment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by:

(a) adding it to the arrears bill and repaying it over the agreed period;

(b) adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

5.3. Council reserves the right to raise the deposit/security requirement in accordance with paragraph 3.3 of debtors who seek arrangements.

5.4. Account holders who can prove that they are employed, where the pay date is set as the 15th day of the month. Council may require the signing of a debit order to qualify for this extension.

E METERING EQUIPMENT AND METERING OF SERVICES

6. Metering equipment and measuring of consumption

6.1. The municipality shall, at the account holder's cost, in the form of a direct charge or prescribed fee, provide, install and maintain appropriately rated metering equipment at the point of metering for measuring metered services.

6.2. The municipality reserves the right to meter the supply to a block of shops, flats, tenement-houses and similar buildings for the building as a whole, or for an individual unit, or for a group of units.

6.3. Where any building referred to in 6(2) is metered as a whole -

(a) the owner may, at own cost, provide and install appropriate sub-metering equipment for each shop, flat and tenement;

(b) the relevant Executive Director, duly delegated by the Municipal Manager, may require the installation, at the account holder's expense, of a meter for each unit of any premises in separate occupation for the purpose of determining the quantity of metered services supplied to each such unit.

6.4. Where the electricity used by consumers is charged at different tariffs, the consumption shall be metered separately in such a way that will enable billing at the applicable tariffs.

6.5. Where sub-metering equipment is installed, accommodation separate from the Municipality's metering equipment must be provided by the account holder as required by the Municipality

6.6. Except in the case of pre-payment meters, the quantity of metered services used by an account holder during any metering period is ascertained by reading the appropriate meter or meters supplied and installed by the municipality at the beginning and end of such metering period, except where the metering equipment is found to be defective.

6.7. For the purpose of calculating the amount due and payable for the quantity of metered services consumed, the same amount of metered services shall be deemed to be consumed during every period of 24 hours between readings.

6.8. The following shall apply with regard to the accuracy of metering:

(a) A meter shall be conclusively presumed to be registering accurately if its error, when tested in the manner prescribed in 6(13), is found to be within the limits of error as provided for in the applicable standard specifications;

(b) the municipality has the right to test its metering equipment, and if it is established by test or otherwise that such metering equipment is defective, the municipality shall in accordance with the provisions of 6(6);
(i) in case of a credit meter, adjust the account rendered;
(ii) in the case of prepayment meters, render an account where the meter has been under-registering; or issue a free token where the meter has been over-registering;

(c) An account holder is entitled to have metering equipment tested by the municipality on payment of the prescribed fee, and if the metering equipment is found not to comply with the system accuracy requirements as provided for in the applicable standard specifications, an adjustment in accordance with the provisions of paragraphs 6(7) and 6(8)(b) shall be made and the aforesaid fee shall be refunded.

6.9. No alterations, repairs, additions or connections of any description may be made on the supply side of the point of metering unless specifically approved in writing by the Municipal Manager or his delegate.

6.10. Prior to the municipality making any upward adjustment to an account in terms of paragraph 6(8)(b), the municipality must -

(a) notify the consumer in writing of the amount of the adjustment to be made and the reasons therefor;

(b) in such notification provide sufficient particulars to enable the account holder to submit representations thereon;

(c) call upon the account holder in such notice to present it with reasons in writing, if any, within 14 days or such longer period as the municipality may in its discretion permit, why the account should not be adjusted as notified, and should the consumer fail to provide any representation during the period referred to in paragraph 6(10)(c) the municipality shall be entitled to adjust the account as notified in paragraph 6(10)(a).

6.11. The municipality must consider any representation provided by the consumer in terms of subsection 6(10) and must, if satisfied that a case has been made out therefore, adjust the account appropriately.

6.12. If the Municipal Manager or his delegate decides, after having considered a representation made by the account holder, that such representation does not establish a case warranting an amendment to the amount established in terms of subsection 6(15), the municipality shall adjust the account as notified in terms of paragraph 6(10)(a), and the account holder shall have the right of appeal provided for in this policy.

6.13. Meters are tested in the manner as provided for in the standard specifications applicable thereto.

6.14. When an adjustment is made to the consumption registered on a meter in terms of paragraphs 6(8)(b) or 6(8)(c), such adjustment is based either on the percentage error of the meter as determined by the test referred to in subsection 6(13), or upon a calculation by the municipality from consumption data in its possession and where applicable, due allowance shall be made, where possible, for seasonal or other variations which may affect consumption.

6.15. When an adjustment is made as contemplated in subsection 6(14), the adjustment may not be for a period exceeding six months preceding the date on which the metering equipment was found to be inaccurate, however, the provisions of shall not bar an account holder from claiming recovery of an overpayment for any longer period where the account holder is able to prove the claim in the normal legal process.

6.16. The relevant Executive Director, duty delegated by the Municipal Manager, may dispense with the use of a meter in case of:

(a) an automatic sprinkler fire installation;

(b) a fire installation or hydrant;

(c) special circumstances at the Municipal Manager's discretion.

6.17. The municipality may by notice -

(a) prohibit or restrict the consumption of metered services -
  (i) for specified or non-specified purposes;
  (ii) during specified hours of the day or on specified days or otherwise than during specified hours of the day or on specified days;
  (iii) in a specified or non-specified manner;

(b) determine and impose -

  (i) limits on the quantity of metered services which may be consumed over a specified period;
  (ii) charges additional to those prescribed in respect of the supply of metered services in excess of a limit contemplated in subparagraph (i);
  (iii) a general surcharge on the prescribed charges in respect of the supply of metered services;

(c) impose restrictions or prohibitions on the use or manner of use or disposition of an appliance by means of which metered services are used or consumed, or on the connection of such appliance.

6.18. The Council may limit the application of the provisions of a notice contemplated in 6(17) to specified areas and classes of account holders, premises and activities, and may provide for the Municipal Manager to permit deviations and exemptions from, and the relaxation of any of the provisions on such grounds as he or she may deem fit.

6.19. To ensure compliance with a notice published in terms of subsection 6(17), the Municipal Manager or his delegate may take, or by written notice require an account holder at the account

holder's expense to take, such measures, including the installation of measuring devices and devices for restricting the flow of metered services as may be necessary.

6.20. In addition to the person by whose act or omission a contravention of or failure to comply with the terms of a notice published in terms of subsection 6(17) is actually committed, an account holder in respect of the premises to which metered services are supplied is presumed also to have committed the contravention or to have so failed to comply, unless it is proved that the account holder had taken all reasonable steps to prevent such a contravention or failure to comply by any other person, provided however, that the fact that the account holder issued instructions to the other person shall not of itself be accepted as sufficient proof that the account holder took all such reasonable steps.

6.21. The provisions of this paragraph also apply in respect of metered services supplied directly by the municipality to account holders outside its area of jurisdiction, notwithstanding anything to the contrary in the conditions governing such supply, unless otherwise specified in the notice published in terms of subsection 6(17).

6.22. If such action is necessary as a matter of urgency to prevent waste of metered services, refuse or sewerage, damage to property, danger to life, or pollution of water, the Municipal Manager, or his delegate, may -

(a) without prior notice disconnect the supply of metered services to any premises;

(b) enter upon such premises and do such emergency work, at the account holder's expense, as he or she may deem necessary, and in addition by written notice require the account holder to do within a specified period such further work as the relevant Executive Director may deem necessary.

6.23. Before any metered or pre-paid metered supplies which have been disconnected or restricted for non-payment are restored, an account holder must pay all fees and charges as determined by the municipality, from time to time.

6.24. The Municipal Manager may, at the written request of an account holder and on the dates requested by the account holder -

(a) disconnect the supply of metered services to the account holder's premises;

(b) restore the supply, and the account holder must before the metered services is restored pay the prescribed charge for the disconnection and restoration of his or her supply of metered services.

6.25. After disconnection for non-payment of an account or a contravention of any provision of these by-laws, the prescribed charge for such reconnection should be paid before reconnection is affected, or at any other agreed upon date.

6.26. The following shall apply to the reading of credit meters:

(a) Unless otherwise prescribed, credit meters are normally read at intervals of approximately one month and the fixed or minimum charges due in terms of the tariff are assessed accordingly and the municipality is not obliged to effect any adjustments to such charges;

(b) if for any reason the credit meter cannot be read, the municipality may render an estimated account, and estimated consumption shall be adjusted in a subsequent account in accordance with the consumption actually consumed;

(c) when an account holder vacates a property and a final reading of the meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly;

(d) if a special reading of the meter is desired by an account holder, this may be obtained upon payment of the prescribed fee;

(e) if any calculation of, reading or metering error is discovered in respect of any account rendered to a consumer -

(i) the error shall be corrected in subsequent accounts;

(ii) any such correction shall only apply in respect of accounts for a period of six months preceding the date on which the error in the accounts was discovered,

(iii) the correction shall be based on the actual tariffs applicable during the period;

(iv) the application of this paragraph does not prevent a consumer from reclaiming an overpayment for any longer period where the consumer is able to prove the claim in the normal legal process.

6.27. The following shall apply to pre-payment metering:

(a) No refund of the amount tendered for the purchase of electricity or water credit shall be given at the point of sale after initiation of the process by which the prepayment meter token is produced;

(b) copies of previously issued tokens for the transfer of credit to the prepayment meter may be issued at the request of the consumer;

(c) when an account holder vacates any premises where a prepayment meter is installed, no refund for the credit remaining in the meter shall be made to the owner by the municipality;

(d) the municipality shall not be liable for the reinstatement of credit in a prepayment meter lost due to tampering with, or the incorrect use or the abuse of, prepayment meters or tokens;

(e) where an account holder is indebted to the municipality for any assessment rates, metered services, other municipal charges, levies, fees, fines, interest, taxes or any other amount or amounts payable arising from any other liability or obligation, the municipality may either allocate a percentage of the amount tendered for the purchase of pre-paid electricity in reduction of the amount owing to the municipality or may terminate services.

(f) the municipality may appoint vendors for the sale of credit for prepayment meters and does not guarantee the continued operation of any vendor.

7. Resale of water or electricity (7)

7.1 No account holder who is supplied with metered services in terms of this policy may sell or supply water or electricity, supplied to the account holder's premises under an agreement with the municipality, to any other person or persons for such use upon any premises other than those in respect of which such agreement is made, or permit or suffer such resale or supply to be made, unless provision has been made therefore in a special agreement with the municipality or unless prior authority has otherwise been obtained from the municipality to do so.

7.2 If the municipality grants permission as referred to in 7(1), it may stipulate the maximum price at which the water or electricity may be sold and impose such other conditions as it may deem fit.

7.3 Permission referred to in subsection 7(1) may be withdrawn at any time.

7.4 Where water or electricity is resold for use on the same premises, such resale must be in accordance with the tariff and subject to such conditions as the municipality may decide.

F MISCELLANEOUS MATTERS (8)

8. Tampering, unauthorised connections and reconnections, and improper use

8.1 The municipality shall be entitled to monitor its service network for signs of tampering or irregularities.

8.2 No person may in any manner or for any reason whatsoever tamper or interfere with any meter or metering equipment or service connection or service protective device or supply mains or any other equipment of the municipality.

8.3 Where prima facie evidence exists that a consumer or any person has contravened 8(2), the municipality shall be entitled to disconnect the supply immediately and without prior notice to the account holder, and the account holder is liable for all fees and charges levied by the municipality for such disconnection.

8.4 Where an account holder or any person has contravened 8(2) and such contravention has resulted in the meter recording less than the true consumption, the municipality shall be entitled to recover from the account holder the full cost of the ~~estimated~~ averaged consumption.

9. Relaxation, waiver and differentiation of customers (9)

9.1 Pursuant to this policy, the municipality may differentiate between different categories of ratepayers, account holders, customers, debtors, taxes, services, service standards and other matters.

9.2 The municipality may, in writing exempt an account holder, category of account holders, or other persons from complying with a provision of this policy, subject to any conditions it may impose, if the application or operation of that provision would be unreasonable, however the municipality or its authorised agent may not grant exemption from any provision of this policy that may result in -

(a) the wastage or excessive consumption of water or electricity;

(b) the evasion or avoidance of water or electricity restrictions;

(c) significant negative effects on public health, safety or the environment;

(d) the non-payment for services;

(e) the installation of pipes and fittings which are not acceptable in terms of the municipality's prescribed standard;

(f) the contravention of any Act, or any regulation made in terms thereof;

9.3 The municipality may at any time upon at least 30 days written notice, withdraw any exemption given in terms of subsection 9(2).

10. Power of council to recover costs

10.1 Where a bank dishonours any payment made to the municipality, the municipality may levy and recover all related costs and any administration fees against an account of the defaulting account holder and may disconnect or restrict the supplies to the premises of such account holder.

10.2 All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears and payable shall be levied against the arrears account of the account holder.

10.3.1 For any action taken in demanding payment from an account holder or reminding an account holder by means of telephone, fax, electronic mail, letter or otherwise that payments are due, a fee will be levied against the municipal account of the account holder in terms of the municipality's tariff provisions.

11. Prima facie evidence

A certificate reflecting that an amount is due and payable by any person to the municipality, under the hand of the Municipal Manager or a duly authorised officer of Council, is upon mere production thereof prima facie evidence of the indebtedness for any purpose and the signatory should not be obliged to prove his authority.

12. Authentication and service of orders, notices and other documents

12.1 An order, notice or other document from the municipality must be signed by the Municipal Manager or his delegate such authority and any document purporting to be so signed shall constitute sufficient notice from the municipality.

12.2 Any notice or other document that is served on a person by a duly authorised officer of the municipality in terms of this policy, is regarded as having been served -

(a) when it has been delivered to that person personally;

(b) when it has been left at that person's place of residence or business in the Republic or at the premises to which the notice relates, with a person apparently over the age of sixteen years;

(c) when it has been posted by registered or certified mail to that person's last known residential or business address in the Republic as reflected in the records of the municipality, or to the address of the premises to which the notice relates and an acknowledgement of the posting thereof from the postal service is obtained;

(d) if that person's address in the Republic is unknown, when it has been served on that person's agent or representative in the Republic in the manner provided by paragraphs 12(2)(a), 12(2)(b) or 12(2)(c);

(e) if that person's address and agent or representative in the Republic is unknown, when it has been placed in a conspicuous place on the property or premises, if any, to which it relates;

(f) in the event of a body corporate, when it has been delivered at the registered office of the business premises of such body corporate;

(g) when it has been delivered, at the request of a person, to that person's electronic mail address.

12.3 When any notice or other document has to be authorised or served on the owner, an account holder or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, account holder or holder of the property or right in question, and it is not necessary to name that person.

12.4 Service of a copy shall be deemed to be service of the original.

12.5 Any legal process is effectively and sufficiently served on the municipality when it is delivered to the Municipal Manager or a person in attendance at the Municipal Manager's office.

13. Abandonment of bad debts, and full and final settlement of an account

13.1 Before terminating the debt collection procedure in any individual instance, and subject to the municipality's Provision for Doubtful Debts Debt Write-off Policy, the Municipal Manager must -

(a) ensure that all debt collection mechanisms as provided for in the policies have been utilised where reasonable;

(b) maintain an audit trail;

(c) document the reasons for terminating the debt collection procedure, including the cost of enforcement and necessary financial adjustments.

13.2 The Municipal Manager or his delegate may consider an offer for full and final settlement of any amount owing, and must, if in his sole discretion, he considers it in the interests of the municipality to do so, in writing consent to the acceptance of a lesser amount as full and final settlement of the amount due and payable.

13.3 Where the exact amount due and payable to Council has not been paid in full, any lesser amount tendered in full settlement to and accepted by any employee, except the Municipal Manager or the Municipal Manager's delegate, shall not be deemed to be in full and final settlement of such an amount.

14. National Credit Act not applicable

The municipality is not a credit provider in terms of the National Credit Act 34/2005, and nor is that Act applicable to the recovery by the municipality of amounts due to it for rates, in terms of tariffs relating to the supply of services including fixed tariffs, fines or any other amount.

15. Right of appeal

15.1 A person whose rights are affected by a decision of a municipal officer may appeal against that decision by giving written notice of the appeal and reasons to the Municipal Manager within 21 days of the date of the notification of the decision.

15.2 The Municipal Manager must promptly submit the appeal to the appropriate appeal authority mentioned in 15.4.

15.3 The appeal authority must consider the appeal and confirm, vary or revoke the decision, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

15.4 When the appeal is against a decision taken by -

(a) a staff member other than the Municipal Manager, the Municipal Manager is the appeal authority, even if such staff member was acting in terms of a delegation from the Municipal Manager;

(b) the Municipal Manager, the Mayor is the appeal authority;

(c) a political structure or political officer bearer or a Councillor, a committee of councillors who were not involved in the decision and appointed by Council for this purpose; will be the appeal authority.

15.5 An appeal authority must commence with consideration of an appeal within six weeks and decide upon the appeal within a period of twelve weeks.

16. Performance evaluation

16.1 Income Collection Targets

Council to create targets that include:

i. Reduction in present monthly increase in debtors in line with performance agreements determined by council.

16.2 Customer Service Targets

Council to create targets that would include:

i. Response time to customer queries.
ii. Date of first account delivery to new customers.
iii. Reconnection time lapse.
iv. Meter reading cycle.

16.3 Administrative Performance

Council to create targets that will include:

i. Cost efficiency of debt collection.
ii. Query rates.
iii. Enforcement mechanism ratios.

16.4 Council will create a mechanism wherein these targets are assessed, Council's performance is evaluated and remedial steps taken.

17. Schedule of variable information

The Council and/or the Municipal Manager may as authorised in this policy, from time to time review and resolve on the matters in the attached annexures, which will be amended and publicised by posting it on the municipality's website and if necessary, by publication in the Gazette. Such information is a part of this policy.

G ANNEXURES

ANNEXURE "A"

NEWCASTLE MUNICIPALITY
APPLICATION FOR MUNICIPAL SERVICES

Section ACDE - Domestic	Section BCDE - Business	Section BCDE – Closed Corporation

Section A: Domestic

Consumer Surname	
Full Christian Names	
ID Number	
Occupation	
Employer/Business	

Marital Status

Single	Married	In Community of Property	Out Community of Property

Full Names Spouse	
Occupation Spouse	
Employer Spouse	
Name and Address of Member of Family or Friend	
Home Telephone Number	
Work Telephone Number	
Cell Number	

Section B: Company Details

Business Name	
Business Registration No.	
ID Number - Owner (Natural Person)	
- Partner	
Name of Natural Person	
Business Telephone Number	
Cell Number	
Fax/E-mail	

Section C: General

Postal Address	
	Code:

List of Other Accounts Held

(i) Name		Account Number	
(ii) Name		Account Number	
(iii) Name		Account Number	

Name of Bank	
Branch Code	
Account Number	
Previous Address and Account Number	
If tenant, where is rent paid	

Number of people residing on property	Total	Over 18	Under 18

Occupiers of stand other than family (rental, backyard, lodges, spaza shops, taxis etc.)	

Section D:	Service Particulars

Address where service is required	
Erf/Stand Number	
Date when service is required	

Services:

Water		
Communal Standpipe	*Yard Tap*	*House Connection*

Sewerage	
Bucket	*Water Borne*

Electricity	
Prepaid	*Credit meter*

Refuse Removal

Type of supply:

Domestic	**Commercial**	**Industrial**	**Educational**	**State**	**Agricultural**

State whether any type of business activities to be conducted from residential address:

Yes	**No**

Section E: Declaration

I hereby declare that I/we agree to the conditions of supply of the mentioned services as laid down in the by-laws of the Municipality and any other laws that are applicable.
I/we hereby accept the street address/stand number specified above as my own Domicilium citandi at executandi address where I will accept any notice to be served.
I/we hereby tender a deposit/bank guarantee of R_____ and agree that this amount or any part thereof may be used to redeem unpaid accounts or any parts thereof and that the surplus if any be paid back to me/us.
I/we indemnify the Municipality against any losses which may occur due to claims instituted against the Municipality due to power failure, or justifiable discontinuation of services.
I/we accept the responsibility for the payment of attorney and client costs should it be necessary for Council to hand over outstanding amounts on the accounts as well as giving permission to be listed with the Credit Bureau.
I/we received a duplicate of this application form and am/are aware of the applicable further conditions of supply set out in the annexure at the back of this form.

I/we hereby certify the information furnished to be correct.

ANNEXURE "B"

NEWCASTLE MUNICIPALITY

~~*RULES FOR NEGOTIATING INSTALLMENTS FOR REPAYMENT OF ARREARS*~~

~~Any arrangement for payment of arrears in terms of Section 5 of the Credit Control, Debt Collection and Customer Care Policy will be negotiated within the following framework:~~

~~1. Private Households:~~

~~The consumer should declare the monthly household income.~~

~~An amount equal to 15% of the net monthly income should be paid as instalments on arrears, provided that:~~

- ~~No debtor should be allowed to redeem arrears over a period in excess of 30 months.~~
- ~~In cases where the debtor indicates that the calculated payment is not affordable, but is calculated to be paid in less than 20 (Twenty) months, instalments may upon further arrangement be adjusted to 10% (ten percent) of the debtor's monthly income.~~

~~Should a debtor who has made an arrangement for payment of arrears fall into default of such arrangement, it will result in immediate legal action.~~

~~Persons earning between R 1 900 and R 5 000 to negotiate with the personnel enabling them to pay off their arrears up to / within a maximum of sixty months (Proof of household earnings to be produced);~~

~~2. Business and Other Accounts:~~

~~The rules as applicable to Private Households shall apply, except that the arrears should be paid within a maximum period of twelve months.~~

~~*RULES OF EXTENSION FOR PAYMENT OF CURRENT CONSUMER ACCOUNTS*~~

~~Due to the current financial situation Council finds itself in, extension on accounts in order to prevent termination of services will be limited to the following circumstances:~~

- ~~Excessive water leaks (in excess of R500)~~
- ~~Excessive additional deposits levied (in excess of R500)~~
- ~~Social pensioners, when pension pay date is after Council's final payment date.~~
- ~~Account holders who can prove that they are employed, where the pay date is set as the 15th day of the month. Council may require the signing of a debit order to qualify for this extension.~~

NEWCASTLE MUNICIPALITY

BUDGET POLICY

DRAFT

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DRAFT

1. PREAMBLE

1.1 In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

1.2 In terms of chapter 4, Section 21 (1) the mayor must co-ordinate the processes for preparing the annual budget and budget-related policies.

1.3 This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

2. OBJECTIVES OF THE POLICY

2.1 This policy sets out the budgeting principles and procedures which Newcastle Municipality will follow in preparing each annual budget, as well as the roles and responsibilities of various officials and Office Bearers in the compiling such budget. The policy seeks to give effect to the requirements of the Municipal Finance Management Act, Act 56 of 2003 read with Municipal Budget and Reporting Regulations of 2009 in terms of preparation, approval, implementation and management of the annual budgets.

2.2 This policy is intended to ensure:

2.2.1 that there is efficient and effective preparation of reliable budget and forecasts and monitoring of actual results against plans and programmes.

2.2.2 that the municipality keeps records of and is able to report on output delivery according to the performance measures contained in the Integrated

Development Plan (IDP) and Service Delivery Budget Implementation Plan (SDBIP) and strategic plan.

2.2.3 the Strategic Executive Directors and Treasury and Budget Office have implemented proper monitoring and control of budgets.

2.2.4 that the Mayor exercise proper general political guidance over the fiscal and financial affairs of the municipality

2.2.5 that the council plays an effective oversight role in fiscal and financial affairs of the municipality.

3. SCOPE OF THE POLICY

This policy shall apply to the Council, Executive Committee, Finance Portfolio Committee, Budget Steering Committee, Accounting Officer, Strategic Executive Directors and all officials who have a formal and administrative duty to prepare, manage and control the municipality's budget.

4. APPLICABLE LEGISLATION

4.1 Budget process and management is regulated in terms of the Municipal Finance Management Act, Act 56 of 2003 (MFMA):-

4.1.1 Chapter 4 of the MFMA deals with the municipal budgets.

4.1.2 Chapter 7 of the MFMA deals with the responsibilities of the Mayor in relation to budget processes and related matters as well as the fiscal and financial affairs of the municipality.

4.1.3 Chapter 8 of the MFMA deals with the responsibilities of the municipal officials in relation, among others, budgeting processes, revenue and expenditure management and reporting.

4.1.4 Chapter 9 of the MFMA deals with the municipal budget and treasury offices.

4.2 Municipal Budget and Reporting Regulations of 2009 which is aimed at securing sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibilities in the budgeting and reporting processes within the municipality.

4.3 The Medium Term Revenue and Expenditure Framework guidelines issued by National Treasury from time to time also provide guidance in the budgeting process and management.

4.4 The budget circulars and practice notes issued by National Treasury from time to time also provides guidance in the budgeting process and management.

4.5 Annual Division of Revenue Act in so far as those chapters dealing with equitable share allocation and all other conditional grants to the municipalities.

4.6 Furthermore chapter 5, section 25(1) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) states that a municipality shall undertake developmentally oriented planning. It must be a single, inclusive and strategic plan in the form of an Integrated Development Plan. This must form the policy framework and general basis on which the annual budgets must be based.

5. ROLES AND RESPONSIBILITIES

The primary responsibilities and accountabilities in relation to budgeting process and management rest with the Council, Executive Committee, Budget Steering Committee, Mayor, Accounting Officer, Strategic Executive Director for Financial Services, Strategic Executive Directors for other municipal departments, the Director for Budget and Financial Reporting as well as the officials in the Budget Office.

5.1 Role of Council

5.1.1 As stipulated in chapter 4, section 16 (1) of the MFMA the council must for each financial year approve an annual budget for the municipality before the start of a financial year. Before approval of the annual budget the council is expected to interrogate the annual budget and also plays an oversight role in budget preparation, implementation, management and reporting.

5.1.2 To the extent as required by chapter 4, section 24 (1) & (2) of the MFMA, the council when approving the annual budget, shall ensure full compliance with all subsections under section 24.

5.1.3 When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area.

5.2 Executive Committee

The Executive Committee is responsible for examining of the budget, providing guidance among others on the budgetary process and expenditure management and oversight role.

5.3 Role of Budget Steering Committee

5.3.1 The Mayor of the Municipality shall establish a Budget Steering Committee as required by Regulation 4 of the Municipal Budgeting and Reporting Regulations. The steering committee shall consist of the following g persons:

(a) the councilor responsible for financial matters (chairperson of the Finance Portfolio Committee);
(b) the Accounting Officer;
(c) the Strategic Executive Director for Financial Services Department;
(d) Strategic Executive Directors responsible for at least three largest departments in terms of budget allocation in the municipality;
(e) Director for Budget Planning, Implementation, Supply Chain Management and Financial Reporting;
(f) Manager responsible for the compilation of budget;
(g) Director responsible for planning; and
(h) Any technical experts in infrastructure.

5.3.2 The Municipality may opt to use the Management Committee (MANCO) as Budget Steering Committee as well as IDP Steering Committee.

5.3.3 The Budget Steering Committee as stipulated under chapter 2, clause 4(1) of the Municipal Budget and Reporting Regulations must provide technical assistance to the Mayor in discharging the responsibilities set out in sections 53 and 54 of the MFMA.

5.4 Role of Mayor

5.4.1 As provided in Section 21(1) of the MFMA, the Mayor is responsible for:

5.4.1.1 Coordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan ("IDP") and budget related-policies;

5.4.1.2 At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines, as contemplated in section 21(1) (b) of the MFMA.

5.4.2 In so far as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor shall comply with all subsections of the above section.

5.4.3 Pursuant to Section 52 of the MFMA the mayor must:

5.4.3.1 provide general political guidance over the fiscal and financial affairs of the municipality, and present the budget to the community of Newcastle and consider of their input.

5.4.3.2 In providing such general political guidance monitor and to the extent provided in the MFMA, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the Strategic Executive Director: Budget and Treasury Office, but may not interfere in the exercise of those responsibilities;

5.4.3.3 take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

5.4.3.4 within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

5.4.3.5 comply with all other subsections of under this section of the MFMA.

5.4.4 In so far as provided in Section 53 of the MFMA, for purposes of the budget process and related matters, the Mayor shall comply with all subsections of the above section as per the MFMA.

5.4.5 As required by Section 58 of the MFMA, the Mayor shall exercise his/her powers and functions assigned by the MFMA in consultation with the executive committee.

5.5 Role of Accounting Officer

5.5.1 The Accounting Officer shall be responsible for the following functions in terms of Section 68 of the MFMA:

5.5.1.1 Assisting the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapter 4 and 7 of the MFMA; and

5.5.1.2 Providing the Mayor with the administrative support, resources and information necessary for the performance of those functions.

5.5.2 The Accounting officer shall ensure that all heads of departments provide the inputs required by the Strategic Executive Director: Budget and Treasury Office for the purpose of preparing the budget, and to that end, each Strategic Executive Director shall prepare and submit to the Strategic Executive Director: Budget and Treasury Office by 28 February of each year a draft budget for his or her department; provided that nothing contained in this section shall derogate from the responsibility of the Strategic Executive Director for Financial Services of preparing the municipal budget as provided for in subsection 5.6.1 below.

5.5.3 The accounting officer shall comply with all requirements of the Sections 69, 70, 71, 72, 73, 74, 75 and 76 of the MFMA and ensuring that the operations of the municipal council are achieved within the approved budget and financial targets; and allocation of funds within the departments.

5.6 Role of Strategic Executive Director: Budget and Treasury Office

5.6.1 Without derogating in any way from the legal responsibilities of the Mayor and Accounting Officer, the Strategic Executive Director: Budget and Treasury Office shall be responsible for preparing the draft budget of the municipality as a line function responsibility.

5.6.2 The Accounting Officer shall delegate in terms of Section 79 of the MFMA to the Strategic Executive Director: Budget and Treasury Office all such powers as may be necessary him or her to perform the above mentioned function.

5.6.3 The Strategic Executive Director: Budget and Treasury Office shall ensure that the annual and adjustments budgets comply with the requirements of the National

Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

5.6.4 The Strategic Executive Director: Budget and Treasury Office shall, with the approval of the mayor and the municipal manager, and considering the municipality's current financial performance determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

5.6.5 The Strategic Executive Director: Budget and Treasury Office is responsible for:

5.6.5.1 Budget process management.

5.6.5.2 Advice to the Accounting Officer, Mayor, Executive Committee, Finance Portfolio Committee and Strategic Executive Directors for all departments on budget process and expenditure management matters.

5.6.5.3 Provide guidance and support to the Director: Budget and Financial Reporting as well as the officials in the division dealing with the budget process.

5.6.5.4 Overall management of the provision of monthly financial performance reports to the Strategic Executive Directors by 5th working day of the following month.

5.6.5.5 Overall management and coordinating budget estimates.

5.6.5.6 Ensuring overall integrity of information in the financial system;

5.6.5.7 Explanation of reasons for significant trends and changes in budget amounts.

5.7 Role of Strategic Executive Directors

5.7.1 The Strategic Executive Directors are responsible for:

5.7.1.1 The provision of their budget requirements within the timelines as set out by the Accounting Officer and the Strategic Executive Director: Budget and Treasury Office.

5.7.1.2 Monthly review of expenditure against budget.

5.7.1.3 Submission of variance explanations to the Strategic Executive Director: Budget and Treasury Office Services within five working days of receipt of monthly financial performance reports and expenditure, which is greater or

less than five percent from budget for Goods and Services and related costs;

5.7.1.4 Advising the Strategic Executive Director: Budget and Treasury Office of significant accruals two working days before month end;

5.8 Role of Director: Budget and Financial Reporting

5.8.1 The Director: Budget and Financial Reporting as well as the officials in the division dealing with the budget process are responsible for the initiation, collation, analysis of information for budget process and preparing monthly financial performance reports to the Strategic Executive Director: Budget and Treasury Office for further review.

6. BUDGET PRINCIPLES

The council shall adopt three-year budget statements for the ensuing financial year's budgets. The budget statement shall be the focal point of the budget, and shall be linked to the IDP. The budget and IDP review process are to run concurrently.

6.1 Contents of Budget

6.1.1 The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:

6.1.1.1 The budget must be in the format prescribed by the regulations;

6.1.1.2 The budget must reflect the realistically expected revenues by major source for the budget year concerned;

6.1.1.3 The expenses reflected in the budget must be divided into the votes of the various departments of the municipality;

6.1.1.4 The budget must also contain:

6.1.1.4.1 the foregoing information for the two years immediately succeeding the financial year to which the budget relates;

6.1.1.4.2 the actual revenues and expenses for the previous financial year, and

6.1.1.4.3 the estimated revenues and expenses for the current year.

6.1.2 The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.

11.3. For the purposes of Section 17(3)(k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

6.2 Funding of Expenditure

6.2.1 The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:

6.2.1.1 the capital component, and

6.2.1.2 the operating component.

6.2.2 In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:-

6.2.2.1 Realistically anticipated revenues to be collected;

6.2.2.2 Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and

6.2.2.3 Borrowed funds, but only for capital projects.

6.2.3 Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Regulations.

6.2.4 An impending operating **deficit** shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

6.3 Capital Budget

Capital budget refers to the allocation made to specific infrastructure projects and purchase of equipment and other forms of assets having a life span of more than one year and cost value of as determined in the Asset Management Policy of the municipality.

6.3.1 Basis of Calculation

6.3.1.1 Except in so far as capital projects represent a contractual commitment to the Newcastle Municipality extending over more than one financial year, the annual capital budget shall be prepared from a **zero base**.

6.3.1.2 The capital budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

6.3.1.3 The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.

6.3.1.4 In addition, the council shall consider the likely impact of such operational expenses – net of any revenue expected to be generated by such item – on future property rates and service charges.

6.3.2 Financing of Capital Budget

6.3.2.1 The Strategic Executive Director: Budget and Treasury Office shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

6.3.2.2 The provisions of Regulation 11 of the Municipal Budgeting and Reporting Regulations of 2009 shall be complied with in relation to the funding of capital expenditure.

6.3.2.3 Any **surplus** from previous financial years not appropriated, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the Municipality's asset financing reserve.

6.3.2.4 Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in 6.3 below.

6.3.2.5 Each department head shall, prior to providing for any expenditure in respect of any capital item in the budget of his or her department's budget, and in any event no later than 31 January prepare and submit to the Strategic Executive Director: Budget and Treasury Office a business plan relating to such capital item, which business plan shall contain the following information regarding such item:

- A full description;
- Its purpose;
- The expected beneficiaries ;
- Alternative means of providing the same benefits;
- An acquisition, construction and implementation plan (as applicable);
- The expected useful life;
- The principal cost;
- The sources of funding;
- A schedule of financing costs;
- A maintenance plan;
- A schedule of maintenance costs;
- A depreciation schedule; and
- Insurance costs.

6.4 Operational Budget

Operational budget refers to the funds that would be raised in the delivery of basic service, grants and subsidies and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the municipality

The operating component shall duly reflect the impact of the capital component on:

- depreciation charges;
- repairs and maintenance expenses;
- interest payable on external borrowings; and
- other operating expenses.

6.4.1 Basis of Calculation

6.4.1.1 The incremental approach is used in preparing the annual operating budget in respect of employee costs, councillors remuneration, bulk purchases. All other expenditure shall be estimated using the zero based method of budgeting.

6.4.1.2 The annual operating budget shall be based on realistically anticipated revenue, which should be least cover the anticipated operating expenditure in order to result in a balanced budget.

6.4.1.3 An income based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a balanced budget.

6.4.2 Financing

Services charges shall be based on the tariff growth rate as agreed upon plus a growth rate of the town. The operating budget shall be financed from the following sources:

(a) Service Charges
  (i) Property Rates;
  (ii) Electricity sales;
  (iii) Water sales;
  (iv) Sewerage; and

(v) Refuse

(b) Grants and Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the municipality.

(c) Interest on investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the municipality.

(d) Interest on outstanding debtors

The budget for interest and investment shall be in accordance with the Credit Control and Debt Collection policy of the municipality.

(e) Fines

Fines shall be estimated based on the fines and summons issued in the previous financial year and any law enforcement measures implemented by the municipality.

(f) Licences

Licences shall be estimated based on estimated based on licences and rates granted by the municipality.

(g) Sundry revenue

Sundry revenue shall refer to any other revenue which does not fall in the ambits of any revenue source above. It shall be estimated based on the trends of the current of previous financial year.

(d) Repairs and Maintenance

The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the department in terms of repairing their assets. This percentage shall be equal to at least 8% of the total operating budget.

(e) Capital Expenses

Capital expenses refer to interest and redemption that has to be repaid on an external loan taken up by the Council. The budget for capital expenses will be determined by the repayments that the municipality is liable for based on the agreement entered into with the financial institution.

(f) Contributions to Capital

A global amount that will be spent on the acquisition of small capital items is determined. The needs of departments in terms of small items will be prioritised to enable the allocation of funds for such items.

(g) Contributions to Funds

Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

6.5 Provisions

6.5.1 Accrued leave

The Municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget, as well as for staff benefits, including post-retirement benefits.

6.5.2 Provision for bad debts

The Municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget with due regard to the implementation and compliance with the Credit Control and Debt Collection Policy.

6.5.2 Obsolete and deteriorated stock

The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

6.5.3 Depreciation & Interest

All expenses, including depreciation expenses, shall be **cash-funded**. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

Finance charges payable by the Municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality.

The allocation of **interest earned** on the Municipality's investments shall be budgeted for in terms of the banking and investment policy.

The Municipality shall adequately provide in each annual and adjustments budget for the maintenance of its **fixed assets** in accordance with its fixed asset management policy. At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

The budget for **salaries, allowances and salaries-related benefits** shall be separately prepared, and shall not exceed 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

7 BUDGET PROCESS

7.1 ***Medium Term Expenditure Revenue Framework***

The Medium Term Expenditure Revenue Framework (MTERF) details 3 year rolling expenditure and revenue plan for Newcastle Municipality. The MTERF budget process is designed to match the overall resource envelop, estimated through "top-down" macroeconomic and fiscal policy process with the bottom up estimation of the current and medium term cost of existing departmental plans and expenditure programmes

The budget process allows the Council to:-

(a) Strengthen and evaluate the alignment between medium and long-term plans and funding proposals;

(b) Revise its policy priorities, macroeconomic framework and revenue envelop;

(c) Evaluate departmental plans and allocate available resources in line with the policy priorities;

(d) Obtain the required authority from Council to spend (service delivery);

(e) Align parameter settings with budget outcomes and resource allocations

7.2 ***Integrated Development Plan Formulation***

The Integrated Development Plan (IDP) process is a process through which the municipality prepare strategic development plans for a five-year period. An IDP is one of the key instruments for local government to cope with its new developmental role and seeks to arrive at decisions on issues such as municipal budgets, land management, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner.

In order to ensure certain minimum quality standards of the IDP Review process and proper coordination between and within spheres of government, the municipality need to prepare an IDP review process plan and formulate a budget to implement the IDP. The IDP and Budget Process Plan has to include the following:

(a) A programme specifying the timeframes for the different planning steps;

(b) Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional authorities and other role players in the IDP review and budget formulation processes; and

(c) Cost estimates for the review process.

The preparation of the IDP process plan is in essence the formulation of the IDP and Budget processes, set out in writing and requires the adoption by Council.

7.3 ***Legal planning context***

The preparation of the IDP and Budget processes are regulated by the Municipal Systems Act, No 32 of 2000 and the Municipal Finance Management Act, No 56 of 2003. This is to ensure certain minimum quality standards of the integrated development planning and budget process and proper coordination between and within the spheres of government.
As the IDP is a legislative requirement it has a legal status and it supersedes all other plans that guide development at local level.

The Municipal Systems Act, No 32 of 2000 (as amended) and the Municipal Finance Management Act, No 56 of 2003 confer the responsibility on the Mayor to provide political guidance over the budget process and the priorities that must guide the preparation of the annual budgets. In terms of section 53 of the Municipal Finance Management Act the Mayor must also coordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purpose of the budget. The Municipal Systems Act further requires the following regarding the IDP process:

Chapter 5 and Section 25 (1) of the Municipal Systems Act (2000) indicate that the Council must, within a prescribed period after the start of its elected term, adopt a single, all inclusive and strategic plan for the development of the municipality which:-

(a) Links integrates and coordinates plans and takes into account proposals for the development of the municipality;
(b) Aligns the resources and capacity of the municipality with the implementation of the plan;
(c) Complies with the provisions of this Chapter; and
(d) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

7.4 ***Alignment between IDP, Budget and PMS***

In terms of the Municipal Systems Act, municipalities are required to prepare an organisational performance management system that must be linked to the IDP. Tremendous progress has been made with the process of aligning the IDP, Budget and Performance Management System (PMS). Every endeavor is made to link and integrate these three processes to an even greater extent through the Process Plan. It should however, be noted that the PMS on its own requires an in-depth process comparable to that of the IDP. Such PMS is tightly linked and guided by the IDP and Budget processes. The PMS process will address the following issues:

(a) Alignment of the PMS, Budget and IDP processes;
(b) Implementation of an individual performance management system at managerial level.

The IDP, performance management systems (PMS) and budget are all components of one overall development planning and management system. The IDP sets out what the municipality aims to accomplish and how it will do this. The PMS enables the municipality to check to what extent it is achieving its aims. The budget provides the resources that the municipality will use to achieve its aims. As indicated earlier, every attempt has been made in this process plan to align the IDP and PMS formulation and/or review, and the budget preparation process.

7.5 ***Medium Term Policy Review***

7.5.1 The budget process starts early in the year with a review of the IDP and budget processes of the previous year.

7.5.2 The Strategic Executive Director: Budget and Treasury Office commences the process in July of each year by preparing a draft Medium Term Budget Statement. The Medium Term Budget Statement is a document that spells out the planning for the ensuing three years. This process also includes the review of the previous year's budget process and completion of the Budget Evaluation checklist.

7.5.3 The Strategic Executive Director: Budget and Treasury Office draws up a budget process plan with time schedule outlining key deadlines for preparing, tabling and approving the budget and reviewing the IDP and budget related policies and consultation process at least 10 months before the start of the budget year. This budget process plan is then incorporated into the main process plan which includes IDP and PMS as these processes go hand in hand.

7.5.4 The Strategic Executive Director: Budget and Treasury Office Services tables the draft Medium Term Budget Statement and the budget process plan to the MANCO (Accounting Officer and Strategic Executive Directors) for discussion. At this forum options and contracts for service delivery are reviewed.

7.6 ***August Activities***

7.6.1 The draft Medium Term Budget Statement and the budget process plan are tabled at the Finance Portfolio Committee for consideration, input and recommendations to Exco.

7.6.2 The Mayor tables at the Council meeting a time schedule outlining key deadlines for preparation, tabling and approving the budget.

7.7 ***September Activities***

7.7.1 Budget and Treasury Office determine revenue projections and proposed rate and service charges and draft initial allocations to functions and departments for the next financial year after taking into account strategic objectives.

7.7.2 Budget and Treasury Office engages with the provincial, national sector departments and other national public entities on specific programmes for alignment with municipality plans.

7.7.3 The budget parameters are set with the Executive Committee, Budget Steering Committee, and Management Committee.

7.8 ***October Activities***

The Strategic Executive Director: Budget and Treasury Office:-

7.8.1 reviews the national policies and budget plans and potential price increases of bulk resources.

7.8.2 determines revenue projections and policies.

7.8.3 engage with sector departments, share and evaluate plans, MTBPS.

7.8.4 draft initial allocations to functions.

7.9 ***November/December Activities***

7.9.1 The Strategic Executive Director: Budget and Treasury Office consolidates budgets and plans.

7.9.2 The Budget Steering Committee reviews the consolidated budget and plans and prepare proposed budget.

7.9.3 The Executive Committee determines the strategic choices for the ensuing three years and finalizes tariff policies.

7.10 *January/February Activities*

7.10.1 The Accounting Officer reviews proposed national and provincial allocations to the municipality for incorporation into the draft budget for tabling. Proposed national and provincial allocations for ensuing three years must be finalized not later than 20 January of each year.

7.10.2 The Strategic Executive Director: Budget and Treasury Office prepares detailed budgets and plans for the ensuing three years.

7.10.3 The Accounting Officer finalizes and submits to the Mayor the proposed budgets and plans for the ensuing three years taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous year's audited annual financial statements and annual report.

7.10.4 The Mayor tables the budgets and plans at the Finance Portfolio and Executive Committee for their oversight function and recommendations to the Council.

7.11 *March/April Activities*

7.11.1 The Accounting Officer reviews any changes in the prices for bulk resources for publication not later than 15 March each year.

7.11.2 The Mayor tables the budget at the council meeting for deliberations and adoption not later than 31 March of each year.

7.11.3 Immediately after the budget has been tabled at the council meeting, the Accounting Officer must in accordance with Chapter 4 of the Municipal Systems Act make public the annual budget and the documents referred to in section 17 (3) of the MFMA. The Accounting Officer must invite the local community to submit representations in connections with the budget.

7.11.4 The Accounting Officer must submit the annual budget in both hard and soft copies to the National Treasury and KwaZulu-Natal Provincial Treasury.

7.11.5 When the budget has been tabled, the municipal council must consider any views of the local community, National Treasury, KwaZulu-Natal Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

7.11.6 After considering all budget submissions, the council must give the Mayor an opportunity to respond to the submissions and if necessary, to revise the budget and table amendments for consideration by the council.

7.12 ***May Activities***

The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget in accordance with Section 24 of the MFMA.

8 ADJUSTMENT BUDGET

8.1 Each adjustment budget shall reflect realistic excess, however nominal of current revenues over expenses.

8.2 Section 28(2) (d) of the MFMA provides that an adjustment budget may authorize utilization of projected savings in one vote towards spending in another vote. However, virements between the votes should only be permitted where the proposed shifts in funding facilitate sound risk and financial management.

8.3 The municipal council may revise an approved budget through an adjustment budget. In adjusting its approved budget the municipal council shall do it in accordance with Section 28 of the MFMA.

8.4 The Strategic Executive Director: Budget and Treasury Office shall ensure that the adjustment budgets comply with the requirements of the National Treasury and reflect the budget priorities determined by the Mayor, are aligned with the IDP, comply with all budget related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget related policies where these are necessary.

8.5 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy and MFMA provisions or MFMA circulars and

guidelines issued by National Treasury from time to time or any other policy or the municipality is prohibited unless approved by the council through an adjustment budget.

8.6 Council may revise its annual budget by means of an adjustment budget only once per year.

8.7 The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

8.8 The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programme already budgeted for or any areas of critical importance identified by Council in compliance with the MFMA.

8.9 The Council shall in such adjustment budgets, and within the prescribed framework, confirms unforeseen and unavoidable expenses on the recommendation of the Mayor.

8.10 The Council should also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by Council.

9 BUDGET TRANSFERS & VIREMENTS

9.1 ***Restrictions***

9.1.1 Virements from the capital budget to operating budget and virements towards personnel expenditure shall not be permitted.

9.1.2 Virements to and from the following items shall not be permitted

(a) Bulk purchases;
(b) Debt impairment;
(c) Interest charges;
(d) Depreciation;
(e) Conditional Grants;
(f) Revenue foregone;
(g) Insurance; and
(h) Value Added Tax

9.1.3 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

9.1.4 A transfer of funds between line items shall not be done if the effect thereof would result:-

9.1.4.1 In alteration of the approved outcomes or outputs of the IDP;

9.1.4.2 In any adjustment to the Service Delivery and Budget Improvement Implementation Plan;

9.1.4.3 In any changes to the staff establishment of the municipality, except if the council approves such change.

9.1.5 Transfer for funds that have been specifically ring-fenced shall not be permitted.

9.1.6 Transfer of funds between or from capital items or projects.

9.1.7 To the extent that it is practical to do so, transfers within the first three months are not permitted.

9.1.8 Transfers may not be made from a line item administered by one department to a line items administered by another department.

9.2 *Authorization of Virements*

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy or MFMA or national MFMA circulars and guidelines which are issued by National Treasury from time to time authorized as follows:-

9.2.1 A request for virement of an amount not exceeding R100 000.00 may be approved by the by the Strategic Executive Director of the department in consultation with the Strategic Executive Director: Budget and Treasury Office.

9.2.2 A request for virement of an amount above R100 000 shall be the Executive Committee, having obtained budget comments from the Strategic Executive Director: Budget and Treasury Office.

9.2.3 A transfer of funds from one item to another may take place only if savings within the first mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

9.3 ***Limitations of Amount of Virements***

9.3.1 Notwithstanding the provisions of paragraph 9.2:-

9.3.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 20% of the amount allocated to that vote.

9.3.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 20% for the total operating budget for that year.

9.3.1.3 The amount of any single transaction relating to transfer of funds between the line items may not exceed the sum of R 100 000.00

9.3.2 A transfer which exceeds, or which would result in exceeding of any of the thresholds referred to in paragraph 9.3.1 above may, however, be authorized through a Executive Committee resolution.

10 BUDGET IMPLEMENTATION

10.1 Monitoring

10.1.1 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office and other Strategic Executive Directors is responsible for the implementation of the budget, and must take reasonable steps to ensure that:-

10.1.1.1 Funds are spent in accordance with the budget, expenses are reduced if expected revenues are less than projected and revenues and expenses are properly monitored

10.1.2 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office must prepare any adjustment budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

10.1.3 The Accounting Officer must report in writing to the Council any impending shortfalls in the Annual Revenue Budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11 REPORTING

The Accounting Officer shall report on quarterly basis all transfers to the Mayor, Finance Portfolio and Executive Committees.

11.1 ***Monthly Budget Statements***

11.1.1 The Accounting Officer with the assistance of the Strategic Executive Director: Budget and Treasury Office must, not later than ten working days after the end of each calendar month, submit to the Mayor, Finance Portfolio and Executive Committees, KwaZulu-Natal Provincial Treasury and National Treasury a report in the prescribed format on the state of the Municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the Financial Year to date. This report must reflect the following:-

(a) Actual revenues per source, compared with budgeted revenues;
(b) Actual expenses per vote, compared with budgeted expenses;
(c) Actual Capital Expenditure per vote, compared with budgeted expenses;
(d) Actual borrowings, compared with the borrowings envisaged to fund the Capital Budget;
(e) The amount of allocations received, compared with the budgeted amount;
(f) Actual expenses against allocations, but excluding expenses in respect of equitable share;
(g) Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the Service Delivery and Budget Implementation Plan;
(h) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
(i) Projections of the Revenues and Expenses for the remainder of the Financial Year, together with an indication of how and where the original projections have been revised.

11.1.2 The report to the National Treasury must be both in electronic and signed hard copies.

11.2 *Quarterly Reports*

The Mayor must submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

11.3 *Mid-Year Budget and Performance Assessment*

11.4 The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the Service Delivery Performance of the municipality as against the Service Delivery Targets and Performance Indicators which are set in the Service Delivery and Budget Implementation Plan.

11.5 The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January of each year and to Finance Portfolio and Executive Committees, Council, KwaZulu-Natal Provincial Treasury and National Treasury by 31 January of each year.

11.6 The Accounting Officer may in such report make recommendations after considering the recommendation of the Strategic Executive Director: Budget and Treasury Office for adjusting the annual budget through adjustment budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan

12 UNSPENT FUNDS & ROLLOVER OF BUDGET

12.1 The appropriation of funds in an annual or adjustment budget will lapse to the extent that they are spent by the end of the relevant budget year, but except for funds relating to Capital Expenditure.

12.2 Only unspent grants (if conditions for such grant funding allows that) or loan funded Capital Budget may be rolled over to the next budget year.

12.3 Conditions of the grant fund shall be taken into account in applying for such rollover of funds.

12.4 Application for rollover of funds shall be forwarded to the budget office no later than 30th of April each year to be included in the following year's budget for adoption by Council in May each year.

12.5 Budget adjustments to be rolled over shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.

12.6 No funding for projects funded from the Capital Replacement Reserves shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (31 March each year) prior the end of that particular financial year.

12.7 No unspent operating budget shall be rolled over to the next budget year.

13 IMPLEMENTATION OF THIS POLICY

13.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director: Budget and Treasury Office.

13.2 The policy shall be reviewed on annual basis and updated if there are any changes brought about through an amendment of any legislation and/or policies by National Treasury or arrangement within the municipality.

The Accounting Officer must place on the municipality's official website the following:-

(a) The Annual and Adjustment Budgets and all budget related documents;
(b) All budget related policies;
(c) The Integrated Development Plan;
(d) The Annual Report;
(e) All Performance Agreement of Section 57 Managers;
(f) All long-term borrowing contracts;
(g) All Service Delivery Agreements;
(h) All quarterly and mid-year term reports submitted to the Council on the implementation of the budget and the financial state of the municipality.

13.3 This policy must be read together with the Funding and Reserves and Borrowing Policies; Local Government Municipal Finance Management Act, Act 56 of 2003; and

Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

DRAFT

NEWCASTLE MUNICIPALITY

VIREMENT POLICY

VIREMENT POLICY

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DRAFT

1. Definitions

1. **"Accounting Officer"** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA.

2. **"Approved budget"** means an annual budget approved by a municipal council.

3. **"Budget-related policy"** means a policy of a municipality affecting or affected by the annual budget of the municipality

4. **"Chief Financial Officer"** means a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the Chief Financial Officer.

5. **"Capital Budget"** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods.

6. **"Council"** means the council of a municipality referred to in section 18 of the Municipal Structures Act.

7. **"Financial year"** means a 12-month year ending on 30 June.

8. **"Line Item"** an appropriation that is itemised on a separate line in a budget adopted with the idea of greater control over expenditures.

9. **"Operating Budget"** The Municipality's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

10. **"Ring Fenced"** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

11. **"Service delivery and budget implementation plan"** means a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget.

12. **"Virement"** is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Strategic Executive Director. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

13. **"Vote"** means one of the small segments into which a budget of a municipality is divided for the appropriation of funds for the different items of revenue and expenditure for all departments in the municipality.

2. Abbreviations

1. **C.F.O.** – Chief Financial Officer
2. **IDP** – Integrated Development Plan
3. **MFMA** – Municipal Finance Management Act No. 56 of 2003
4. **SDBIP** – Service Delivery and Budget Implementation Plan
5. **CM** – Council Minute/'s

3. Objective

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. Virement Clarification

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Strategic Executive Director, Director, Manager or any employee delegated to enable budget managers to amend on approved budgets in terms of (Section 28 (2) (c) (d) of the MFMA)

5. Financial Responsibilities

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 54 MFMA)

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each Strategic Executive Director to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

6. Virement Restrictions

a) No funds may be transferred between departments without the approval of both heads of departments and the Chief Financial Officer, unless through an adjustment budget as per S28 of the MFMA and the approved Budget Policy of the municipality.

b) Virements may not exceed a maximum of 20% of the total approved operating expenditure budget.

c) A virement may not create new policy, significantly vary the current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (section 19 and 21 MFMA)

d) Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)

e) No virement may commit the municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior

approval of the Council. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copier's or fax machines.

f) No virement may be made where it would result in over expenditure in the vote and in each line item. (section 32 MFMA)

g) If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.

h) Virements may not be made in respect of ring-fenced allocations. These include finance charges, debt impairment, depreciation and employee related costs.

i) Virements for employee related cost may only be allowed for month end procedures and must be within vote the employee related costs category.

j) Virements on fleet budget may only be done within the vote and fleet budget.

k) Virements should not result in adding 'new' projects to the Capital Budget. Any new projects may only added in compliance with S28 of MFMA or the Budget Policy of the municipality.

l) Virements are permitted at any time of the financial year, however management should take reasonable care to budget properly in order to avoid virements early in the financial year.

m) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

n) Virements should not be permitted in relation to the revenue side of the budget.

o) Virements from capital budget to operational should not be permitted as per circular 51 of the MFMA; this may only be permitted via adjustment budget or by submitting an item during the year to council at any time during the financial year.

p) Virements from an amount of R200 000 on both operational and capital budget may only be actioned after approval by the Executive Committee of Council.

7. Virement Procedure

a) All virement requests, inclusive of relevant documentation, must to forwarded to the Executive Strategic Director: Budget and Treasury Office for scrutiny with policy compliance and implementation.

b) A virement memo must be prepared and signed by any official delegated in terms of the municipal Delegations Policy, and should be endorsed the Director Budget and Financial Reporting.

c) Virements relating to employee related costs for the purposes of month-end procedures shall be approved by the Director: Budget and Financial Reports which each vote.

d) Virements relating to fleet budget for the purpose of month-end and other urgent operational requirement shall be authorized by the Director: Budget and Financial Reporting after consultation with Workshop and department concerned.

e) Budget transfers, to and from a particular vote per year, in excess of R200 000.00 with a maximum as determined under section 6b requires the approval of the Executive Committee. Such a virements must be accompanied by a full report detailing the compelling reasons that lead to it.

f) The Municipal Manager must report to the Mayor on a quarterly basis on those virements above R200 000 that have taken place during that quarter.

g) All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)

8. Implementation of the Policy

(a) The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director: Budget and Treasury Office.

(b) The policy shall be reviewed on annual basis and updated if there are any changes brought about through an amendment of any legislation and/or policies by National Treasury or arrangement within the municipality.

(c) This policy must be read together with the Budget and the Local Government Municipal Finance Management Act, Act 56 of 2003.

NEWCASTLE MUNICIPALITY

PETTY CASH POLICY

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1. PREAMBLE

1.1 Where the need may arise in a department of the municipality to have cash available for payments of a minor and non-recurring nature and it is impracticable to follow Supply Chain Management policies and procedures for every expense, such payments (excluding remuneration for services rendered) may be made by means of petty cash facilities.

2. POLICY OBJECTIVES

The objective is to provide guidelines on the usage and management of petty cash by Newcastle Municipality.

3. SCOPE OF POLICY

This policy applies to all Newcastle Municipal employees, whether full-time or part-time, or paid on a salaried or an hourly individual basis and to duly appointed cashiers.

4. APPLICABLE LEGISLATION

4.1 Municipalities must comply with the requirements of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and Newcastle Municipality has incorporated the applicable principles, objectives and prescripts in its policy on the management and control of petty cash.

4.2 The MFMA endeavours "to regulate financial management in the municipalities; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those municipalities; and to provide for matters connected therewith."

4.3 In particular, Section 78(1)(b) and (c) of the MFMA places the onus on each employee within the municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee's area of responsibility. In particular, the employee must take effective and appropriate steps to prevent, within that employee's area of responsibility, any

unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

5. POLICY PRINCIPLES

5.1 Before approving expenditure or incurring a commitment to spend using petty cash, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation. All transactions must be supported by authentic documents.

6. POLICY PROCEDURES

6.1 ***Approval of Petty Cash Float***

6.1.1 The Strategic Executive Director: Financial Services Department or delegated official shall be responsible for making application for petty cash facility or for increase of the operational amount of an existing petty cash float to the Accounting Officer for consideration and decision.

6.1.2 The application shall state sound and valid reasons for the need of petty cash float and the amount required for its operation, as well as the cost centre and vote number from which funds are to be applied for petty cash. The amount applied for must be sufficient to cover expenses for approximately one month.

6.1.3 The municipality shall keep petty cash not exceeding R5 000.00 which must be reviewed on annual basis.

6.1.4 The use of petty cash shall be limited to minor requirements for which a single transaction shall not exceed R500.00.

6.1.5 In cases where the municipality has an account with the supplier or can negotiate opening an account, the municipality should avoid at all cost to use petty cash but use the account in terms of the policies of the municipality, in particular Supply Chain Management policy which regulates acquisition and disposal of goods and services.

6.2 ***Appointment of Petty Cash Officers***

6.2.1 The Strategic Executive Director: Financial Services Department must appoint in writing one of the Creditors Clerks as a petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash. The custodian of petty cash must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of the this policy and MFMA.

6.2.2 The Strategic Executive Director: Financial Services Department must appoint in writing one of the Accountants as a relief petty cash custodian who shall be assigned the responsibility of managing and controlling petty cash in the absence of the designated petty cash custodian. The Accountant must acknowledge appointment by appending his or her signature and date as an acceptance of the responsibilities and must abide by the contents of this policy and MFMA.

6.2.3 During absence of the designated petty cash custodian, the designated Accountant must assume the responsibilities as a relief petty cash custodian. The petty cash custodian and relief petty cash custodian must ensure that they are familiar with all relevant statutory requirements and institutional responsibilities attached thereto.

6.2.4 Should the Strategic Executive Directors wish to keep petty cash float within their departments, the Strategic Executive Director: Financial Services Department must satisfy himself whether there were proper and sound controls within that department and assess the reasons for request for petty cash float.

6.2.5 Where petty cash float has been approved by the Accounting Officer for departments or sub-offices and satellite offices, the responsibility for operating petty cash and safe keeping rest with the Strategic Executive Director of that particular department. Strategic Executive Directors must assign to the designated petty cash custodians who have financial acumen only and who have no previous conviction or suspicions relating to commercial crimes (e.g. theft, fraud, corruption, funds embezzlement, forgery, bribery, uttering, extortion etc).

6.2.6 Officials who have garnishee orders against their salaries must not be appointed as petty cash custodians.

6.3 ***Custody & Safe Keeping of Petty Cash***

6.3.1 The petty cash custodians are responsible for controlling of petty cash float, together with supporting documentation. Specifically the custodian is responsible for the following:

6.3.1.1 Petty cash float (including original receipts and vouchers) must be kept secured in a locked cash box.

6.3.1.2 The office and the safe where petty cash float is kept shall at all times be kept locked and the key to the safe where cash float is kept shall be kept by the petty cash custodian.

6.3.1.3 The petty cash custodian must sign for the key and must be always kept in a safe place.

6.3.1.4 Only petty cash custodian must have access to and disburse petty cash. Handling of petty cash must only take place in secure locations.

6.3.1.5 The petty cash custodians must ensure that petty cash is only disbursed to authorised officials when an original requisition signed by a duly delegated official has been produced.

6.3.1.6 The petty cash custodian must not process requisitions that is not authorised by the Strategic Executive Director or delegated official.

6.3.1.7 The petty cash custodian must not process requisition that has not been checked, signed and dated by the Accountant who is the supervisor of the custodian.

6.3.1.8 The petty cash custodians must not put her personal monies or of any other officials in the box and the safe where petty cash is kept.

6.3.2 If petty cash float is lost, the Petty Cash Officer responsible for that petty cash shall be held liable.

6.4 ***Application for Petty Cash***

6.4.1 The department that requires petty cash has to complete a requisition which must be authorized and signed by the Strategic Executive Director. The requisition must be submitted to the Accountant.

6.1.2 In cases where minor expenditure was incurred by officials during official trips e.g. parking and toll fees. Such expenditure may be claimed from petty cash but a requisition must still be completed.

6.5 ***Issuing of Petty Cash***

6.5.1 On receipt of requisition the Accountant must check the requisition and be satisfied that it correct in every respect and authentic, sign and date the requisition as evidenced that she has checked it. Once checked and signed the Accountant must submit the requisition to petty custodian.

6.5.2 The petty cash custodian completes a petty cash voucher using information on the requisition and hand over cash to the official that submitted the requisition.

6.5.3 The official receiving such cash must acknowledge receipt by appending his or her signature and date on the petty cash voucher. The requisition is then attached to the petty cash voucher by the petty cash custodian.

6.5.4 The official who received petty cash must submit original receipts to the petty cash custodian before the close of business on the date on which petty cash was received.

6.5.5 The municipal official receiving petty cash is entirely accountable for the amount.

6.5.6 If the official who received petty cash fails to submit the original receipts before the close of business, the petty cash custodian must follow-up the next morning. If no original receipts are submitted on the following day by close of business, the matter must be escalated to the Accountant who shall refer the matter to the Manager.

6.6 ***Recording of Petty Cash***

6.6.1 The petty cash custodian records the date of petty cash voucher, requisition number, petty cash voucher number, description of what petty cash is required for and the amount on the petty cash register. The petty cash register must be numbered throughout consecutively for control purposes.

6.6.2 The expenditure in respect of the petty cash requested will be debited against the vote of the department that requested cash.

6.6.3 All entries on the requisition, petty cash voucher, expenditure voucher and petty cash register must be recorded in ink and no correcting fluid or tip-ex must be used.

6.6.4 The petty cash register must be balanced at the end of each month by the petty cash custodian or relief petty cash custodian. All petty cash vouchers and requisitions must be reconciled to the petty cash register at the end of each month.

6.6.5 The petty cash custodian must sign and date the petty cash register as evidence that it was done by him or her.

6.6.6 After the balancing of the petty cash register it must be reviewed by the Accountant. The Accountant must append his or her signature and date on the petty cash register as evidence of review.

6.7 ***Reimbursements***

6.7.1 The petty cash custodian completes the "expenditure voucher" and attaches all requisitions and petty cash vouchers to the expenditure voucher. The expenditure voucher must be signed by the petty cash custodian, Accountant as a checking official and Manager as authorizing official.

6.7.2 Once the expenditure voucher has been processed the cheque is issued in favour of the Municipal Manager, in his capacity as accounting officer. The cheque is presented at the bank in exchange for cash to replenish petty cash.

6.7.3 Where the banker of the municipality

6.4.2 Petty cash shall be reimbursed on a monthly basis.

7. GENERAL CONTROL MEASURES

7.1 When the petty cash custodian is on leave a proper handing over certificate should be completed with the relief petty cash custodian. The handing over should be done after reconciliation and balancing petty cash. This process should be done under the supervision of the Finance Manager. The handing over certificate should be signed by the official handing over and the official taking over petty cash as well as the Finance Manager who witnessed the handing over process.

7.2 When the petty cash custodian is on sick leave or any unplanned leave due to circumstances that are beyond the official and a proper handing over cannot be done a key to the safe and cash box must be collected by the Accountant and the Finance Manager if petty cash is urgently required.

7.3 The manager must investigate the reasons for non-compliance with this policy and make recommendations. This recommendation will be based on the written explanation submitted by the official who received petty cash.

7.4 Should the matter remain unresolved by the attempts by the manager, the manager must refer the matter to the Director and at this level the Strategic Executive Director whose official received petty cash must be involved and be asked to take the necessary disciplinary measures in terms of the code of conduct of the municipality.

7.5 Should the Strategic Executive Director whose official received petty cash fail to resolve the matter within that month on which petty cash was received the following must take place:

7.5.1 The Strategic Executive Director or delegated official who authorised the requisition shall be held responsible for reimbursement of petty cash should proof of purchase in the form of receipt not be submitted before the close of the same day on which petty cash was handed over or within 24 hours from the date of receipt of petty cash.

7.5.2 Should the Strategic Executive Director or delegated official fail to comply with paragraph 7.2.3.1 above the full amount of petty cash shall be deducted from his/her salary without any further notice.

7.6 The Finance Manager must conduct surprise review of petty cash on hand against the petty cash register and petty cash vouchers and requisitions on quarterly basis.

7.7 Internal auditors and Auditor-General staff are entitled to conduct any surprise petty cash audit at any time and must not be prevented from doing so.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 The Accounting Officer shall be responsible for the implementation and administration of this policy with the assistance of the Strategic Executive Director for Financial Services Department once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

8.2 In terms of section 17(1) (e) of the Municipal Finance Management Act, 2003 this policy shall be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.